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...viet Union Seeks ...eeting to Prepare ...or Second Summit

...dimir F. Petrovsky AP

By Serge Schmemann
New York Times Service

MOSCOW — A Soviet official said Tuesday that Moscow had reopened talks with Washington about rescheduling a meeting between George P. Shultz, the secretary of state, and Foreign Minister Eduard A. Shevardnadze to discuss a second U.S.-Soviet summit meeting.

Vladimir F. Petrovsky, a deputy foreign minister, said "the Soviet Union has proposed to the United States to set in motion a preparatory mechanism for such a meeting."

He said the preparatory work was in a "practical phase," but declined to indicate when or where the meeting might be held.

Mr. Petrovsky's comments were the first Soviet indication of progress toward arranging the trip by Mikhail S. Gorbachev, the Soviet leader, to the United States this year.

[Larry Speakes, the White House spokesman, was quoted by The Associated Press in Washington on Tuesday as saying:

["*We have seen the statement* and we are certainly ready for such a meeting between the secretary and the foreign minister."]

Mr. Gorbachev and President Ronald Reagan agreed at their summit meeting in Geneva last November to hold a second summit in the United States in 1986.

But Moscow has delayed formal preparations, arguing that the meeting should produce concrete results and should be held in an appropriate atmosphere. The Russians have repeatedly accused Washington of ignoring Soviet disarmament proposals at the Geneva arms talks and of further aggravat-

See SUMMIT, Page 2

...ite Force ...cks Beirut ...ace Moves

Reuters

...UT — A militant, pro-Ira...ite militia force threw its ... Tuesday behind Syrian-su... efforts to end the anarchy ...reets of Moslem West Bei...

...mmuniqué by the Hezbollah ...nt said the success of a ...gun Friday by a new securi... to clear the streets of unau... gunmen was the responsi...f all honorable people."

...ollah, an extremist move...ten linked to acts of vio...ully approves and supports ... that may achieve reason...urity for oppressed Mos...l Christians in the capital."

...vers view the Hezbollah ...is significant because the ...which has influence over ...hiite gunmen, had not tak...n talks leading to the latest ...irut peace effort.

...rmed strength of Hezbol...ch first emerged after the ...aeli invasion, is unknown. ... party has a reputation for ...over its tough, highly moti...d well-armed fighters.

...Beirut press and broadcast...ons described steps to carry ... Syrian-supervised security ... a "total success."

...rrest of 14 armed men on ...y raised to 65 the total de...n the western sector of the ...se capital since Saturday for ... weapons in public, news...said.

...separate development, the ...an University of Beirut an...d Tuesday that it would stay ...espite killings and abduc... faculty, administrators and ...embers.

...gressman Is Optimistic

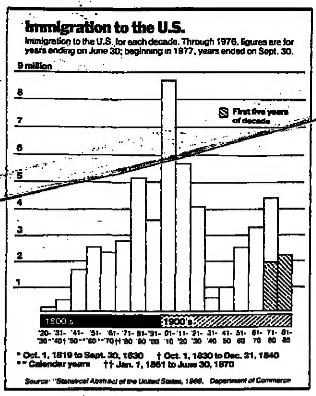
...S. congressman who has just ...d to Washington from talks ...resident Hafez al-Assad in ...xpressed optimism Tuesday ...he eventual release of Amer...eing held hostage in Leba...euters reported from Wash...

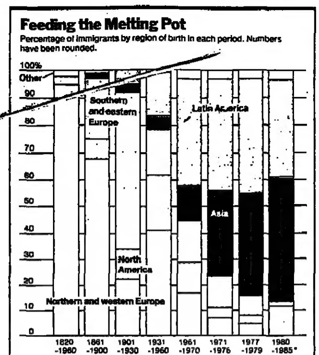
...resentative Robert K. Dor...epublican of California, said ...at Assad had told him that ...ducted American diplomat, ...n Buckley, was probably ... The pro-Iranian Islamic Ji...oup announced last fall it ...lled him but his body was ...ound.

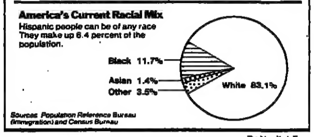
...ad said he'd have for the ...press and the American peo...me good news very soon," ...ornan remarked after meet...e President George Bush at ...hite House.

...east four Americans are held ...slem extremists in Lebanon, ... Syria is influential with ...armed factions.

... Dornan said the Syrian lead... made no promise that he ...win release of the Americans.







The New York Times

Immigration Curbs Gain Favor in U.S.

By Robert Pear
New York Times Service

NEW YORK — There is strong and growing public support among Americans for new restrictions on immigration despite widespread sympathy for both legal and illegal immigrants as individuals.

The latest New York Times-CBS News Poll showed that 49 percent of all adult Americans want immigration decreased, while 42 percent said it should be increased. When the last major immigration law was adopted in 1965, eliminating past racial quotas, 46 percent of the public in a Gallup Poll said that immigration levels should be kept the same or increased, while only 33 percent wanted them decreased.

The new telephone poll of 1,618 adults was taken to assess public attitudes as the United States prepared to celebrate the centennial of the Statue of Liberty, a beacon for millions of immigrants. It found that Americans have contradictory, ambivalent feelings about immigration.

Even opponents of immigration said that their own neighborhoods would welcome immigrants. Paradoxically, 45 percent of the respondents said that new immigrants worked harder than native-born Americans, but 47 percent said that most ended up on welfare. Further, 49 percent of those interviewed said they believed that illegal immigration now exceeded legal immigration, which most experts dispute.

Will the Liberty holiday be filled with empty rhetoric? Opinion, Page 4.

A third of the public said that immigrants took jobs away from Americans. But a larger group, slightly more than half of all people interviewed, said immigrants generally took jobs that Americans did not want. Hispanic people and residents of Western states were most likely to say that aliens took jobs Americans did not want.

Contrasting with the 49 percent who said they believed that most of the people who had recently moved to the United States were here illegally, 32 percent said that most of the recent immigrants were legal. The margin of sampling error in the June 19-23 telephone

See IMMIGRATION, Page 5

Unions Set to Act Over Leaders Held by Pretoria

By Alan Cowell
New York Times Service

JOHANNESBURG — The black labor movement in South Africa threatened widespread disruptive action Tuesday to protest the country's newest emergency decree and to demand the release of labor leaders detained under its provisions.

The warning, labor officials said, reflected the deepening anger of rank-and-file unionists over a crackdown on their leaders following the imposition of the nationwide state of emergency on June 12.

Meanwhile, a bomb planted in a liquor outlet rocked central Johannesburg, injuring several whites including a woman and her baby.

In their move to seek the release of detained union leaders, some of the country's most powerful black labor groups threatened a range of action Tuesday following a series of emergency meetings. The leaders may not be identified because of censorship imposed by the emergency decree.

After a meeting, the National Union of Mineworkers, with a claimed following of 230,000 of the country's 550,000 black mine workers, said it would launch disruptive action at mines.

[International Herald Tribune sources in London identified one detained labor leader as Elijah Barayi, the head of the Congress of South African Trade Unions and a vice president of the miners union.]

South Africa's emergency decree expressly forbids the incitement of wildcat strikes, boycotts or other, unlawful labor protest.

At the same time, the Congress of South African Trade Unions threatened action later this month that could mean a widespread withdrawal of labor on July 14. Reporters in South Africa are forbidden, under the censorship regulations, from transmitting statements that might be deemed subversive.

The definition of a subversive statement includes appeals for unlawful strikes.

The Congress of South African Trade Unions — the biggest labor federation in South Africa's history — claims a following of 500,000 black workers.

Since the emergency decree was proclaimed, many township protesters seem to have been silenced, and the black labor movement — legal since 1979 — has shifted toward the center stage of black protest.

Shultz says the U.S. seeks to end apartheid but not hurt South Africa's economy. Page 2.

Traditionally, the black labor movement has sought to focus on shop-floor grievances, but, in recent years, it has been propelled toward political activism. Thus, in addition to routine grievances, labor unions now seem ready to widen their demands to include political issues, such as the release of political prisoners and the unbanning of outlawed organizations, such as the African National Congress.

The government, meanwhile, moved Tuesday to modify its racial segregation policy, officially scrapping the so-called pass laws that inhibited black access to segregated black townships around white-run cities.

In the deepening conflict, the repeal of the laws and the dismantling of the white-run administration boards that oversaw their implementation, seemed to take place virtually unnoticed.

At the offices of the West Rand Administration Board on Albert Street in Johannesburg — a place, where, over the decades, thousands, if not millions of blacks, have sought unlikely benevolence from white bureaucrats — only a handful of white officials supervised empty counters.

Nearby, as usual, unemployed blacks stood on street corners, signaling to white motorists that they wanted work.

Five blocks away from Albert Street, an explosion tore through a liquor outlet close to the Carlton Hotel and IBM's South Africa headquarters, injuring eight people, including a two-week-old baby.

The Bureau for Information — the only source of officially authorized news under an emergency decree imposed June 12 — said that one black and five white women were hurt, as well as two white children, including the baby.

■ London, Bonn Criticized

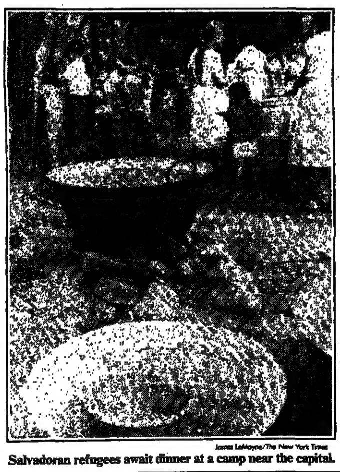
Socialist parties in the European Community criticized Britain and West Germany on Tuesday for blocking sanctions against South Africa and said a planned EC diplomatic mission to the country is merely a delaying tactic, Reuters reported from Brussels.

Commenting on last week's community summit meeting in The Hague, the Socialist parties said: "The attitude of the British and German prime ministers once again tied Europe's hands, preventing her from playing a full role in the face of a major crisis."

The Socialists are the biggest group in the European Parliament, which is planning a major debate on South Africa at its session next week in Strasbourg.

In a statement they said that Prime Minister Margaret Thatcher and Chancellor Helmut Kohl also had seriously jeopardized future ties between the EC and a South Africa freed from apartheid.

The 12 community governments agreed to consider the sanctions question again in three months after Mrs. Thatcher and Mr. Kohl had strongly opposed introducing immediate measures against Pretoria, favored by a majority of their EC partners.



James LeMoyne/The New York Times

Salvadoran refugees await dinner at a camp near the capital.

In El Salvador, Some Unwilling Refugees

By James LeMoyne
New York Times Service

SAN SALVADOR — Within sight of the mountains where they once hid from army sweeps, peasants identified as supporters of the anti-government guerrillas are slowly filling refugee camps around San Salvador, the final stopping place for the many who have been captured by government troops.

They have run and hidden and run again from the army, but in recent months in El Salvador's seven-year war, they say, more and more are being caught by soldiers who now move more frequently through many guerrilla-held areas.

"All that's been suffered is fearful, fearful," said Adán Serrano, 75, who was seized by soldiers after he fled from the village of Los Amates. "How can we forget our homes and our lands?"

The loss of peasant supporters is a serious blow to the guerrillas, who depend on the villagers to provide them with food, shelter and intelligence. But the capture of more than 2,000 guerrilla backers in the last year and a half also has caused problems for the government because it does not appear to know what to do with them.

The uncertain futures of those captured by the army as well as those displaced by the war are one indication of how the Christian Democratic government of President José Napoleón Duarte has fallen short of the promises of change that it made on taking office two years ago.

There is no effective government program to assist these captives from rebel villages, or the more than 300,000 other refugees who fill the grimy towns in government control.

"There are all kinds of government programs on paper, but nothing that works," said an international relief official who has worked extensively with the government. "The refugee problem just goes on."

The peasants captured for supporting the guerrillas represent an especially difficult challenge for the government. Winning their sympathy will be extremely hard.

The villagers have been rounded up in army counterinsurgency campaigns that are intended to separate guerrilla sympathizers from armed rebel units. It is an unpleasant business. The army enters selected guerrilla areas and burns the peasants' fields, wrecks their homes and seizes anyone it can catch, according to evidence seen by reporters and to refugee accounts.

The army usually hands over the rebel supporters to the Red Cross, which turns them over to the Roman Catholic Church. The church then puts them in crowded camps like Calle Real, a neat but desolate row of barracks on the northern outskirts of San Salvador. About 700 people, almost all of them rounded up as guerrilla supporters, live at the camp.

Without homes, money or a government identity card, these people face a harsh future. They cannot leave to find work. As sympathizers

See REFUGEES, Page 2

Supreme Court Curbs Growth of Privacy Concept

By Linda Greenhouse
New York Times Service

WASHINGTON — With its decision Monday that there is no constitutionally protected right to engage in homosexual conduct, the Supreme Court interrupted the expansion of the concept of privacy on which it embarked more than 60 years ago.

The 5-4 majority drew a sharp line of demarcation between those choices that are fundamental to heterosexual life — whether and whom to marry, whether to conceive a child, whether to carry a pregnancy to term — and the decision to engage in homosexual acts.

The heterosexual choices fall within the "zone of privacy" that the court has defined, with greater or lesser clarity, in dozens of cases. The line stretches back to a pair of decisions in the mid-1920s that

NEWS ANALYSIS

gave parents the right to make basic choices about their children's education, and more recently includes rulings on contraception and abortion.

Writing for the majority on Monday, Justice Byron R. White canvassed those precedents and then observed, "We *think it* evident that none of the rights announced in those cases bears any resemblance to the claimed constitutional right of homosexuals to engage in acts of sodomy that is asserted in this case."

Arguments to the contrary, Justice White said, were "insupportable" and "facetious."

Condemnation of homosexuality, Justice White wrote, has "ancient roots." The Georgia law at issue dates to 1816. The original 13 states all outlawed homosexual acts, as did all 50 states until 1961. Since then, either legislation or court decisions have made private homosexual acts between consenting adults no longer criminal in 26 states.

The court frequently uses history as a guide, although not invariably. For example, it overlooked history in 1967 when it declared unconstitutional a Virginia law that barred interracial marriage. Sixteen states had such laws at the time, and Virginia defended its statute on the ground that it protected "traditional moral values."

But there was a second basis for the decision Monday that offers an insight into the court's current mood, extending beyond the constitutional question at hand.

The court would not seek to "discover new fundamental rights," Justice White said, because "the court is most vulnerable and comes nearest to illegitimacy" when its decisions are not rooted "in the

See COURT, Page 2

INSIDE

Reuters

Martina Navratilova moved into the semifinals at Wimbledon with a victory over Bettina Bunge. Page 7.

...a Accuses Party Members ...Pursuing Personal Gain

...Daniel Southerland
Washington Post Service

...JING — Members of the ...se Communist Party are plac...ir own interests above those ... party and have violated the ... a search for personal gain, ...obang, the head of the party, ... a speech published Tuesday. ... put it bluntly, there is not a ...y political life in some of our ... organizations, including a ...r of party committees at ...evels." Mr. Hu said in a ... delivered in April at a meet... party affairs.

...speech was made public to ... the 65th anniversary of the founding of the Chinese party on July 1, 1921.

The People's Daily carried a partial text of Mr. Hu's speech across the top of its front page Tuesday.

In some party organizations, said Mr. Hu, "personal connections are rampant and the political atmosphere is poor." He added that "vulgarity more than political principle reigns."

Mr. Hu's remarks were made against a background of growing evidence that many middle- and lower-level party and government cadres have been resisting or even trying to subvert the reforms intro-

See CHINA, Page 2

Reuters/UPI

Lyndon H. LaRouche Jr.

LaRouche's Political Movement Gets Foothold in West Germany

By James M. Markham
New York Times Service

BONN — The 11,287 votes scored in the Lower Saxony state election this month by an obscure party called Patriots for Germany did not exactly shake the foundations of West German politics.

Yet for the West German followers of Lyndon H. LaRouche Jr., the American leader of an organization that regards Queen Elizabeth II as a drug smuggler and Henry A. Kissinger as a Soviet agent, the Patriots' campaign was a landmark.

From his writings and statements, it is clear that Mr. LaRouche attaches great strategic importance to West Germany. His apparently well-financed European headquarters is in Wiesbaden, and one of his chief lieutenants, Anno Hellenbroich, keeps a video-shielded house for Mr. LaRouche in a nearby suburb.

"LaRouche's aim is to build a worldwide movement, and the United States and Germany are the main centers of his activity," said Dennis King, an American who has written about the group.

In 1977, in the midst of his own shift from the fringe left to an eclectic brand of radical extremism, Mr. LaRouche married Helga *Zepp Ljustina, 29, a former journalist for a* Hannover newspaper who traveled to China during the Cultural Revolution.

In 1974, the woman, who had been married to a Yugoslav, was one of the founding members of the LaRouchian European Labor Party in West Germany.

As its name suggests, the European Labor Party imagined itself on the West German left, and in the 1970s followers of Mr. LaRouche urged voters to support the governing Social Democrats in state elections.

But in the mid-1970s, the group turned its wrath on Willy Brandt, the Social Democratic chairman, and militants took to disrupting his meetings, jeering and casting aspersions on his patriotism.

Mr. Brandt sued the group for calling him a "CIA agent" and won a $10,000 settlement. An assistant said the Social Democratic leader *had recently initiated another suit because* of a European Labor Party poster in Munich that read: "What do Willy Brandt and AIDS have in common? They both weaken the defensive system."

Other targets of the group's campaigns have been Foreign Minister Hans-Dietrich Genscher, Arthur F. Burns, the former American ambassador to Bonn, and his successor, Richard R. Burt.

Helga Zepp-LaRouche has carried the group's standard into various electoral defeats. In the 1983 parliamentary elections, she won only 134 candidate votes and 89 party votes in West Germany's two-tier balloting system, while the organization nationwide won a meager 7,491 candidate votes and 14,966 party votes.

The performance of Patriots for Germany in Lower Saxony in early June — 0.3 percent of the 4.3 million votes cast — was better than any of the European Labor Party.

The Patriots also managed to field candidates in all 100 constituencies — no mean feat — and they densely placarded streets and highways with appeals for space-based weapons and their attacks on the anti-nuclear Greens party.

Some specialists say Patriots for Germany

See LAROUCHE, Page 2

Military Urges Manila to Separate Armed Forces From Politics

By Michael Richardson
International Herald Tribune

MANILA — Senior Philippine military and government officials are strongly supporting proposals designed to shield the armed forces from partisan politics.

The proposals were submitted by the country's military leaders to a 50-member commission appointed by President Corazon C. Aquino in May to draft a new constitution.

The proposals are aimed at ensuring that the armed forces will not be used to perpetuate a ruling elite in power, as they were under former President Ferdinand E. Marcos.

A copy of the proposals, which were made on Friday, was obtained by the International Herald Tribune.

The report, endorsed by General Fidel V. Ramos, the armed forces chief of staff, also urges that a right to rebel against repressive rule be written into a new constitution.

It advocates breaking up the highly centralized structure of the security forces that Mr. Marcos created during his 20 years in power.

The armed forces report says this can be done either by removing both the paramilitary Philippine constabulary and the police from the regular forces, or by shifting the police alone into an independent organization.

As president, Mr. Marcos was also the armed forces commander in chief, Through loyal military associates, he controlled all important promotions and assignments in the army, navy, air force, constabulary and police.

U.S. officials believe this system of political patronage and control was largely responsible for the deterioration in military discipline, moral and professional competence in the Philippines in recent years, which alienated many civilians and helped Communist-led insurgents gain ground.

"The charges proposed by the military are good and have been well-received," a commission member said Tuesday.

A senior member of the Presidential Commission on Government Reorganization said in an interview that that agency had made similar recommendations in a preliminary report to Mrs. Aquino.

The four-member commission was established by Mrs. Aquino to recommend improvements in the working of government machinery soon after she took power in February.

In 1972, using a provision of the 1935 constitution that was then in force, Mr. Marcos imposed eight and a half years of martial law in the Philippines. This was shortly before his second and final term in office as the elected president was due to expire.

Claiming that emergency rule was needed to counter Communist and Moslem rebellion and to reform society, Mr. Marcos ordered the arrest of hundreds of political opponents, abolished the bicameral congress and brought the judiciary and media under his effective control.

A new constitution was approved in 1973 by a convention stacked with his appointees.

Mr. Marcos enlarged the armed forces and centralized both executive and military power in his own hands.

In 1976, he added the various local police forces to the constabulary, bringing them under the same command structure as the army, navy, air force and constabulary.

In a covering letter to Defense Minister Juan Ponce Enrile that prefaces the report to the constitutional commission, General Ramos says the key recommendations include one to limit political involvement in military appointments. Under the proposal, only promotions above the rank of major general and rear admiral would be subject to political approval.

General Ramos and Mr. Enrile, both longtime appointees of Mr. Marcos, led the military revolt against him in February. They said they recognized Mrs. Aquino as the winner of the disputed presidential elections earlier in the month.

General Ramos said that if President Aquino imposed martial law or suspended measures guaranteeing freedom from arrest without a court warrant, such steps would have to be approved by a two-thirds vote in the legislature. In no case should a period of martial law exceed 90 days.

The General Headquarters proposal says the constitutional and legal system of the Philippines and its armed forces must be protected from being misused for the personal ends of a president.

It declares: "Never again shall a combination of president, the constitution and laws, and the armed forces be allowed to abuse the resources of the nation, debase the dignity of its people, jeopardize their welfare and threaten their future."

On the right of rebellion, the proposal suggests the following wording: "When a long chain of government abuse and nonconcern, contrary to the expressed will of the people, evinces a design to reduce them to be under a despotic system, it is the right of the people and their duty to change such government and to provide new safeguards for their future security and welfare."

Members of the constitutional commission say they expect the wording of this clause to be modified, with its substance incorporated in the draft charter.

Shultz Says Goal Is to End Apartheid Without Hurting Pretoria's Economy

By Bernard Gwertzman
New York Times Service

WASHINGTON — Secretary of State George P. Shultz says that the goal of a U.S. policy review on South Africa is to find ways of ending apartheid and beginning interracial negotiations without damaging the South African economy.

Speaking Monday with reporters on his plane en route to Washington after a visit to the Far East, Mr. Shultz enlarged on the disclosure Saturday by a White House official that a policy review was under way. Mr. Shultz said that he would report the results to a Senate committee on June 22 and that the study included all of southern Africa, not just South Africa.

Mr. Shultz has been opposed to economic sanctions to force political concessions from South Africa, but on Monday he carefully avoided ruling out the possibility that sanctions might emerge from the policy review.

However, he said he was sure the reassessment would not reverse the policy of so-called constructive engagement or involve steps that would weaken South Africa's economy. He said the review was needed to counter a bill passed by the House of Representatives two weeks ago banning trade with South Africa.

Mr. Shultz said that people advocating harsh sanctions had not considered the damage they would do to the economies of adjoining countries, such as Botswana.

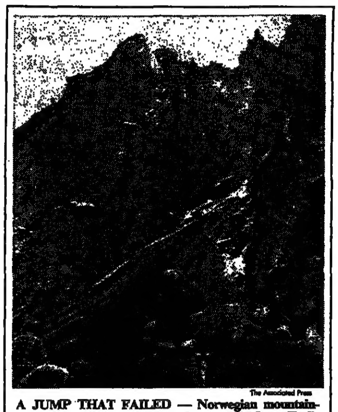
"Those who feel the best way to bring about change in South Africa is to bring the South African economy down as much as they can, must realize that in doing so they bring down the economies of the neighboring states which depend on South Africa," he said. "In our own assessment of what is to take place, we will want to look at the southern Africa picture."

Mr. Shultz said that the review must determine what should be done "to help move things along to what our objectives are: namely, an end to apartheid and a nonviolent negotiating framework with as much chance as possible for South Africa to come out of that with prospects for a healthy economy and political environment and with a prospect of a reasonably healthy southern Africa, not just South Africa."

Mr. Shultz said the review was warranted because "the facts on the ground" had changed in South Africa after the imposition last month of a state of emergency, which set back United States hopes that South Africa would move toward removing the legal structure of apartheid.

When asked what facts had changed, he mentioned an "increased level of violence" and confusion surrounding the South African government's intentions.

"We see an interplay of efforts to move substantively away from apartheid with a kind of two steps forward, one and three quarters steps back," he said. "The whole process has a kind of uncertain and very bitter quality to it."



The Associated Press

A JUMP THAT FAILED — Norwegian mountain-climbing rescue teams prepared to ascend Mount Trollveggen in Norway to recover the body of an Australian parachutist whose leap from the peak failed Monday.

U.S. Asserts Some Allies Cut Libya Oil

By Robert D. Hershey Jr.
New York Times Service

WASHINGTON — Diplomatic efforts by the United States have succeeded in persuading some of its allies to cut sharply their purchases of Libyan crude oil, according to government officials.

According to officials of the Treasury and State Departments, France has reduced such imports by 90 percent or more, while West Germany's are about 30 percent less than when President Ronald Reagan ordered a ban in January of all U.S.-Libyan trade in response to terrorist attacks at airports in Rome and Vienna.

While France, West Germany and, to a lesser extent, the Netherlands have cut their purchases of Libyan oil, the biggest customer by far, Italy, has actually increased its take, the U.S. officials acknowledged. When asked about Italy, the State Department official said, "We think they're considering additional steps."

The officials, who requested that they not be specifically identified, also reaffirmed on Monday the U.S. intention to seek allied cooperation to ban imports of products refined from Libyan crude.

However, private specialists said financial incentives would prompt traders to find outlets for Libyan oil in almost any circumstances short of a naval blockade.

"If there's money to be made, somebody's going to do it," said a spokesman for the Petroleum Industry Research Foundation.

The five remaining U.S. companies in Libya have shut down their operations in compliance with Mr. Reagan's June 30 deadline.

The five — Amerada Hess Corp., Conoco Inc., Marathon Oil Co., Occidental Petroleum Corp. and W.R. Grace & Co. — had been given special exemption from the measures announced in January in response to their contention that the Libyan regime of Colonel Moammar Gadhafi would receive a "windfall" if they were to be forced to leave abruptly. The U.S. officials said that there had been no such windfall so far.

■ Libyan Slain in Paris

The Paris police said Mohammed Bouzou, 50, a Libyan in the import-export business, was shot to death Monday night when three masked men burst into his suburban home, Reuters reported. The police said it was too soon to say if Mr. Bouzou was a political target or a robbery victim.

WORLD BRIEFS

Italians Move to Return Craxi to O

ROME (AP) — The Christian Democrats, the dominant Italy's fallen five-party coalition, said Tuesday they were willing Bettino Craxi, a Socialist, head a resurrected government for an period.

The head of the Christian Democrats also said the party was revise the system of secret parliamentary votes that brought Craxi's government on Friday.

President Francesco Cossiga consulted with leaders of the partners on a new government. They are the Christian Democ Socialists and the smaller Republican, Social Democrat and parties. He also talked with three former presidents and parliament, and reportedly may announce a decision Wedne Thursday.

Gorbachev Ends 4-Day Visit to Pol

WARSAW (Reuters) — The Soviet leader Mikhail S. Gorba for Moscow on Tuesday after a four-day visit to attend the 10th of the Polish Communist Party.

Earlier on Tuesday, Mr. Gorbachev, accompanied by the Polis General Wojciech Jaruzelski, visited a precision tool factory in W talk to workers.

Mr. Gorbachev and General Jaruzelski strolled through the stopping to speak to workers at their machines. "He discussed th wages and working conditions," a worker said.

Afghans Guerrillas Shoot Down Pl

ISLAMABAD, Pakistan (Reuters) — Afghan guerrillas h down a military transport plane carrying 100 troops in southern stan, Western diplomats in Pakistan reported Tuesday.

The diplomats said that they had received conflicting re whether the plane, which was shot down on Wednesday, was Soviet or Afghan troops. But they said it was more likely the aboard were Afghans.

They quoted Afghan sources as saying the plane was shot flight from Kabul to Kandahar, in the southwest. They had no any survivors nor of the weapons used to bring down the plane

Kuwaiti Cabinet Submits Resigna

KUWAIT (AP) — Kuwait's cabinet of 16 men resigned apparently because of a dispute with parliament, the Kuwa agency reported.

The agency said the resignation was submitted to the crown pr prime minister, Sheikh Saad al-Abdullah al-Salem al-Sabah foreign minister, Sheikh Sabah al-Ahmad al-Sabah, who appare acting on behalf of the entire cabinet.

Informed sources said parliament wanted four ministers qu about alleged shortcomings. They said parliament was insisting oil minister, Sheikh Ali Khalifa al-Sabah, be taken to task for inadequate security precautions at the Al-Ahmadi oil center, wi rocked last month by explosions that set fire to the pipeline netw almost blew up about 18 million barrels of crude oil at two tan

Abe to Challenge Nakasone in Jap

SASEBO, Japan (Reuters) — Foreign Minister Shintaro Abe, regarded as a possible successor to Prime Minister Yasuhiro Nakasone, said Tuesday he would seek the leadership of the governing Liberal Democratic Party this year.

The president of the governing party automatically becomes prime minister. A party election is expected when Mr. Nakasone's second term expires on Oct. 30. Mr. Nakasone could not seek a third term unless party rules were changed.

Mr. Abe, campaigning before Sunday's general elections, said he believed that people wanted a new generation of leaders. Mr. Abe was the first of Mr. Nakasone's main rivals to announce his candidacy for the party post.

Shintaro Abe

U.S. Agency to Rule in Nicaragua (

MANAGUA (NYT) — A U.S. agency is about to decide whe Nicaraguan government improperly took over land owned by t dard Fruit Co., agency officials said last week.

Nicaraguan leaders are concerned that a decision against them agency, the Overseas Private Investment Corp., could further their image in international financial circles. Some said they als the agency's decision might be influenced by the Reagan administ position against the Sandinist government. Known as OPIC, the a an arm of the State Department that insures American companies expropriation abroad.

Officials close to the case said last week that Standard Fr seeking a $3-million indemnity from the agency as compensat what the company said was a Nicaraguan takeover of banana plan Agriculture Minister Jaime Wheelock Román said the case was the final chapters in the history of relations between a former republic and a banana company that left nothing but misery her

For the Record

President Richard von Weizsäcker of West Germany arrived in L on Tuesday on a four-day state visit. He was welcomed at Victoria by Queen Elizabeth II. (R

Britain joined Australia on Tuesday in asking Malaysia to comm death sentence of Kevin J. Barlow, 28, a British-born Australian c ed of trafficking in heroin. (R

SUMMIT: *Soviet Union Seeks a Preparatory Meeting*

(Continued from Page 1)

ing U.S.-Soviet relations through a continued arms buildup.

A meeting between Mr. Shultz and Mr. Shevardnadze had been scheduled for May but was called off after the U.S. raid on Libya in April. Their next scheduled meeting would have been at the United Nations General Assembly in September.

U.S. officials have said that the earliest a summit meeting could be scheduled would be close to the end of the year, both because of the time needed to make arrangements and because Mr. Reagan is unwilling to hold such a meeting before congressional elections in November.

Mr. Petrovsky gave no indication where or how Moscow had proposed making preparations for a Shultz-Shevardnadze meeting or whether the meeting would come before the UN session.

"Dates have no consequence," he said. "What is important is the content of the meeting."

Last week, U.S. sources in Washington reported that the new Soviet ambassador, Yuri V. Dubinin, had given Mr. Reagan a letter from Mr. Gorbachev. They said that it had a "positive" and "practical" tone about a new summit meeting, and while it repeated the Soviet insistence on "concrete achievements" at a meeting, the letter did not make them a precondition.

The administration officials are reportedly now agreed that a summit meeting will be held before the end of the year.

Mr. Petrovsky's statement followed several optimistic signals from Washington. Mr. Reagan said recently that new Soviet arms proposals might lead to a "turning point" in the Geneva negotiations.

Last month, Soviet negotiators in Geneva introduced a new proposal on strategic arms under which each side would reduce its arsenal of warheads to 8,000 and its total number of delivery systems to 1,600, if the United States would agree to abide by the Anti-Ballistic Missile treaty, signed in 1972, for at least 15 years and would limit its research on the Strategic Defense Initiative.

Soviet negotiators also have introduced new proposals on medium-range missiles under which the United States and the Soviet Union would dismantle their intermediate-range missiles in Europe while Britain and France would freeze their arsenals.

■ SALT Proposal Is Studied

The White House said Monday that the United States was still studying a Soviet proposal for a meeting to discuss Mr. Reagan's decision not to abide by the 1979 strategic arms treaty, The New York Times reported from Washington.

"We have not replied, we have not decided yet what we will do," said Mr. Speakes.

COURT: *Growth of Privacy Curbed*

(Continued from Page 1)

language or design of the Constitution."

By expanding the list of fundamental rights, Justice White said, "the judiciary necessarily takes to itself further authority to govern the country without express constitutional authority."

This portion of the opinion was an unusually explicit discussion of a factor that is always present when the court finds itself at the frontiers of constitutional law: the court's sense of where its judgment fits within the broader social consensus.

Historically, many justices have believed that to place the court too far ahead of the consensus too often is to hurt the institution, to make it "vulnerable," to use Justice White's word, to attack from the political branches.

In this context, Justice White did not mention the court's landmark privacy decision, Roe vs. Wade, which established abortion as a constitutional right. But he and William H. Rehnquist, the chief justice-designate, who also joined Monday's opinion, were the two dissenters in the 1973 abortion case. They have dissented from all the subsequent decisions expanding on the principles of Roe vs. Wade.

The court is keenly aware that the political furor over Roe vs. Wade has yet to die down. The fact that Justices White and Rehnquist garnered a majority for the decision Monday may indicate that the court simply has no appetite for venturing once again into uncharted territory. The expected arrival on the court of Antonin Scalia is not likely to change that mood.

In addressing itself only to the privacy issue the court did not foreclose other constitutional challenges to laws affecting the rights of homosexuals, such as a challenge, based on the 14th Amendment's equal protection guarantee, to laws that discriminate against homosexuals in such areas as housing and employment.

Justice Lewis F. Powell Jr., who provided the majority's crucial fifth vote Monday, suggested in a concurring opinion that the Eighth Amendment prohibition against cruel and unusual punishment might bar prison sentences for homosexual acts.

The four justices who dissented, Harry A. Blackmun, John Paul Stevens, William J. Brennan Jr. and Thurgood Marshall, offered a drastically different vision of the right to privacy. At issue, they said, was not the choice of one sexual act or another, but what Justice Blackmun called "the fundamental interest all individuals have in controlling the nature of their intimate associations with others."

CHINA: *Party Members Criticized*

(Continued from Page 1)

duced by the senior Chinese leader, Deng Xiaoping, and other leaders such as Mr. Hu.

The latest evidence occurred in a recently published report on a national symposium held to discuss the economic situation. Participants concluded that those who would like to restrict reform-minded factory managers have succeeded in curtailing their power to manage finance and personnel.

The report appeared in Tuesday's edition of the economic weekly newspaper. It said that the "reform environment" in industries is "quietly deteriorating."

The article said that administrators were imposing "irrational" taxes on bonuses paid to workers for good performances, thus reducing their initiative.

[Mr. Hu's speech also contained strong criticism of Mao, United Press International reported from Beijing. The speech went a step further than previous official assessments of Mao's mistakes by linking his launching of the Cultural Revolution in the late 1960s with alleged ideological errors in the 1950s.

["This led to his launching of the Cultural Revolution, which brought catastrophe to the party and state and could have otherwise been avoided," he said.

[As a result of Mao's errors "an atmosphere was created of rejecting different views, and correct opinions that differed somewhat from his or were contrary to his were regarded as 'right deviation,' 'following the capitalist road' or 'anti-party,'" he added.]

LAROUCHE: *U.S. Political Movement Gets Foothold in West Germa*

(Continued from Page 1)

may supplant the European Labor Party label for the purposes of contesting parliamentary elections in January. Retiring the European Labor Party name for the Patriots' would symbolically consolidate the movement's shift to the right.

In her role as the head of the Schiller Institute, a Hannover-based organization founded two years ago and which says it is dedicated to cementing German-American ties, Mrs. Zepp-LaRouche supported the Patriots. So did several retired German military officers, including Admiral Adolf Zenker and General Paul Albert Scherer. General Scherer was dismissed as the head of West German military intelligence in 1977 because of agency eavesdropping.

In an interview, Admiral Zenker, who served in World War II and later helped build the West German Navy, said he had often met with Mr. LaRouche in West Germany and he praised the American as a proponent of "a strong Western alliance."

A West German Parliament study in 1984 put the European Labor Party's membership at 250 to 300, but Helmut Lorscheid, a journalist who has studied the group, said it might have as many as 2,000 followers in West Germany. Militants are known to rotate between Europe and the United States.

In their campaign against the anti-NATO Greens, the LaRouche movement has found a cause in common with the Christian Democrats.

The governing party has sharply attacked the Greens for their support of violent anti-nuclear demonstrations and issued a pamphlet detailing various far-left political origins of the Greens.

In Wiesbaden, the LaRouche movement's publishing house, Spuren und Motive, put out a thick book on the Greens last year to justify a demand that the party be legally banned because of purported Communist and terrorist connections.

For several years, LaRouche militants have consistently picketed meetings at which Petra Kelly, the American-educated founder of the Greens, speaks.

Mr. Hellenbroich, the No. 2 figure in the LaRouche network in West Germany, is the brother of Heribert Hellenbroich, who from 1983 to last August headed West Germany's counterintelligence organization in Cologne. Shortly after being named to head the Federal Intelligence Service in August, he was removed from the post in the midst of a spy scandal.

In an interview, the former intelligence chief said that he regarded his brother's political views as "rubbish" and said he had met only once with Mr. LaRouche to see if his brother might be wooed away.

As the head of the Cologne-based counterintelligence organization, Mr. Hellenbroich s purposely left all decision cerning the European Labor to his deputy and had nothin with the removal of the grou a list of extremist organi prepared by the agency.

The agency's last listing group was in 1976, when described as "Soviet friendl 180-degree reorientation is su ed by a recent accusation o Zepp-LaRouche that the Union manipulated the inve tion into the recent killing o Palme, the Swedish prime mi

REFUGEES: *Salvadoran Trau*

(Continued from Page 1)

of the guerrillas, they say, they may be killed or jailed if they wander into the towns.

The refugees have few warm words for the army. There have been no reliable reports of army massacres in almost two years, but the peasants complain of aerial bombardment and the burning of their fields. They also acknowledge they support the guerrillas.

"We would have beaten this army if it was not for you Americans and the planes and guns you have given it," one villager, who would give his name only as Moisés, said bitterly.

A few unarmed guerrillas and rebel militiamen have filtered through some of the refugee camps, captured with their families by the army.

Like all refugee camps in El Salvador, Calle Real is full of children, many of whose fathers probably are guerrillas or dead. Until they were carried out of rebel-held areas a few months ago, they had never switched on a light bulb at night, watched television or ridden in a car. Such conveniences are n of life in a war zone.

So when the two America who administer the Calle camp turn on the camp televi large crowd promptly gathe matter how banal the subjec ter, curious faces peer at the to stare at a world they have seen.

Five children accept the o a short ride in a visitor's c hang on with grim determina they tilt down a hill. It is a bi horse, one of them says, smoother. All agree it is a su way to travel.

Nobody seems to know wh happen to these people. Go ment officials, church off American officials, army of even the guerrillas themselves no ready answer.

Some eventually may be tled on plots of land bought t church. Some probably will on in the camps. Many say want to go home, and a few ma to slip back into rebel areas now, the refugees line up fo at meal times and stare a mountains.

rench and U.S. AIDS Experts re Locked in Bitter Dispute

. Lawrence K. Altman
New York Times Service

US — Although the enor- degree of international col- tion in the scientific battle t AIDS is obvious, tensions ing from feuds between n and American researchers persist.

dispute is one of the bitterest ence in recent decades and es two of the most famous al institutes in the world — steur Institute in Paris and tional Institutes of Health in da, Maryland.

Pasteur Institute has sued ational Institutes of Health e U.S. government over cred- the discovery of the AIDS s well as for a share in the es from the patents on the millions of blood tests that blood banks, laboratories and doctors do to detect the virus, which causes acquired immune deficiency syndrome.

The disagreement is set against a pattern of growing commercial ties

NEWS ANALYSIS

between traditionally nonprofit scientific institutes, medical schools and hospitals, on the one hand, and the biotechnology industry in the United States and in France, on the other.

No one knows whether the feud has affected the way other researchers will publish their results or apply for patents, or whether the strained relations have impeded progress on development of therapies or a vaccine against the disease.

A growing number of virologists and other specialists are working independently and in collaboration with each other on AIDS throughout the world, largely relying on the biological materials called reagents developed by the two principals in the dispute, Dr. Robert C. Gallo of the National Cancer Institute and Dr. Luc Montagnier of the Pasteur Institute.

Dr. Gallo said he could not predict how the dispute with the Pasteur Institute would affect the pace of research. "Ideally," Dr. Gallo said, the pace would accelerate "with a *more formal* collaboration on a vaccine" or other scientific goal.

At a meeting on AIDS last week in Paris, Dr. James Curran of the Centers for Disease Control in Atlanta said that if the dispute continued, he was "concerned that both of them will be left behind by all the others."

Dr. Montagnier and Dr. Gallo agreed that cooperation between their organizations was not what it could be. No formal collaboration exists between the two groups, the scientists said, although they did exchange information at the Paris meeting and at other sessions.

"There's no special holding back," Dr. Gallo said. "There is just as much openness between us as there is between other groups."

The lawsuit was brought by the Pasteur Institute, not by Dr. Montagnier and other French scientists.

Because royalties and credit for discoveries are involved, it seems the feud is based on money and national pride, if not chauvinism.

However, the issues behind the suit are much more important and complex. They involve the very fabric of what makes scientists tick, their altruism as well as their egos, their fierce desire for independence, their yearning to gain respect from peers, and the competition for Nobel prizes and other public recognition for themselves and their institutes.

Public confidence in science is at stake in the dispute because it is the public that is suffering from AIDS and that is paying for most of the research to control it.

Tensions over the French-American conflict apparently played a key role in a news conference that a team of French scientists at Laennec Hospital in Paris held last October to announce the purported success of the drug cyclosporine in treating the disease. The drug has helped improve survival in organ transplant surgery. But the claims for its use in AIDS quickly vanished with the deaths of the patients and the French team was widely criticized for raising false hopes.

However, Dr. Philippe Even, a member of the team, said in an interview in December that Georgina Dufoix, then the French minister of health, had pressured the team into the news conference after he and his colleagues had gone to seek government support to study the use of cyclosporine for AIDS.

Although scientists tend to portray themselves as a cooperative and close-knit group, and correctly so for the most part, there are many more rivalries than the public and even most doctors know about. They exist to varying degrees among French scientists, American researchers, and sometimes even within the National Institutes of Health and other federal health agencies, or between them.

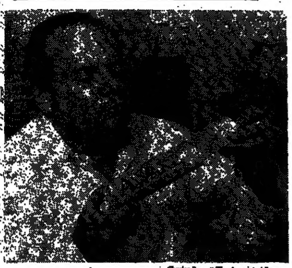
Dr. Montagnier said that both he and Dr. Gallo had complied with each other's requests for exchanges of critical biological materials in the past and presumably would continue to do so.

Some medical leaders say privately that they welcome a trial — no settlement appears on the horizon — to get a full public airing of the dispute. These scientists see such an event educating the profession not only about differences in establishing priorities for patents and credit for scientific discovery, but also about the ways that growing commercialism is changing the traditional values of research.

Other American AIDS workers, who had thought the Pasteur Institute suit was unjustified, said they had taken a more open view of it after a letter by Dr. Gallo was published in a recent issue of Science.

In it, Dr. Gallo said that in his report describing the AIDS virus he had inadvertently used a photograph that had been provided by the French scientists of the virus they had previously isolated.

AMERICAN TOPICS



Charles Bennett/The Associated Press

ME DRUG-TESTING — Don Shattuck, chairman company that has marketed a kit it asserts will help nts determine whether their children are using s, displayed the kit in Chicago. It comes with a cimen container, a mailing tube and laboratory test.

ar and Loathing er 55-MPH Limit

nger and irritation at the 55 h (90 kph) national speed t are swelling across the ted States, especially out t, where traffic is light and ances are vast, T.R. Reid orts in The Washington t. The limit was established onally 12 years ago as a porary response to oil short- , and became permanent n it was shown to save lives ell as gasoline, especially on gested superhighways.

o state has yet ventured to e its speed limit above 55, doing so could cost tens of lions of dollars. Under a 8 law, the federal govern- at may withhold portions of ate's federal highway grants oo many motorists exceed speed limit. Congress has used to modify the law, even ere traffic is light.

So states are testing various ategems. The most common s been the lightening of eding fines. Montana's law, mildest of all, assesses a $5 nergy-wasting" fine for eding up to 70 mph in day- it. After dark, the fine goes to $25.

The most ingenious ploy to e was a legislative proposal Arizona to lower the limit to mph. That way, it was rea- ed, no motorist could be ed for exceeding the 55 mph it. But the idea died before coming law.

ort Takes

Being the head of one's own siness leads the list of Ameri- ns' dream jobs for both men d women, according to a poll 1,550 people by D'Arcy Ma- s Benton & Bowles, a New rk advertising agency. The leading dream jobs for wom- , in order, were: head of one's n business, tour guide, flight endant, novelist, photogra- er, fashion designer, fashion odel, restaurant critic, pain- /artist/sculptor, and school- acher. The men's list: Head of e's own business, profession- athlete, president of a large rporation, forest ranger, test pilot, rancher, race-car driver, riverboat captain, farmer, and photographer.

Lightning kills more people in Florida than in any other state, according to the National Oceanographic and Atmospheric Administration, with 253 deaths since 1960. Next come North Carolina with 133 and Texas with 120. Only Alaska and Hawaii recorded no lightning fatalities during this period. The agency's records suggest that the risk is highest in states with topography that produces summer thunderstorms and draws lightning: mountaintops, which North Carolina and Texas have in abundance, and land areas jutting into large bodies of water, like Florida, which also has many small peninsulas.

Between World Wars I and II suspenders, also called braces, fell out of favor with American males despite tailors' pleadings that suspenders were far superior to belts in making a gentleman's trousers hang correctly. By 1950, sales were stagnant and stayed that way for 30 years. Now, however, suspenders are making a comeback. At Paul Stuart, a Manhattan haberdashery, suspenders now far outsell belts, and sales have increased fifteenfold in 10 years. Marley Hodgson, a New York manufacturer of suspenders, says "department stores and all the me-too people" are jumping on the braces bandwagon.

Despite Pentagon attacks on the budget, The New York Times says, "do not conclude that it is profligate." A reader sent The Times a letter from the Naval Military Personnel Command. It is self-explanatory: "Per your letter of 18 April 1986, our records show that you are entitled to a Certificate of Satisfactory Service for your period of naval service. However, the supply of this document has been exhausted and due to budgetary cutbacks will not be replenished. Sincerely."

— Compiled by
ARTHUR HIGBEE

The Associated Press

The Peruvian justice minister, Luis Gonzáles Posada, left, who has resigned, and President Alan García Pérez.

2 Top Aides Quit Over Peru Killings

The Associated Press

LIMA — The justice minister and the chief of the paramilitary police have resigned following the deaths of more than 100 rioting prisoners who allegedly were killed by security forces after surrendering, Peru's official news agency Andina has reported.

The justice minister, Luis González Posada, said he felt morally responsible for the deaths that followed the rioting on June 18 and 19 and urged a thorough investigation.

"It is with the law, and not with barbarity, that the principle of authority affirms itself in a civilized society," the agency quoted him Monday as saying in a letter to President Alan García Pérez.

But the Justice Ministry refused to confirm the resignation, saying that any information would be issued via Andina. A government official, who spoke on condition of anonymity, confirmed the resignation of General Maximo Martinez Lira, the commander of the paramilitary Republican Guard. He said that no successor had been appointed.

U.S. Increases Use of Computers To Check Citizens, Report Says

By Judith Havemann
Washington Post Service

WASHINGTON — The government of the United States is rapidly creating a national data base of personal information on most Americans through increased storage of records in computers and the routine cross-checking of one list against another, according to the Office of Technology Assessment.

The number of federal computers has gone from a few thousand in 1980 to more than 100,000 last year, providing electronic access to more than half of the government's 3.5 billion records, the congressional research group said Monday in a report on electronic record systems and individual privacy.

Social Security numbers have become national "identifiers," the report said, and the protections of the Privacy Act are eroded because the information in the government's data base can be used with little notice or recourse.

The same techniques that have improved governmental record-keeping have opened new opportunities for inappropriate, unauthorized or illegal access to personal information, the report said.

"We are headed toward an electronic dossier on every citizen in the United States," said Jerry Berman, director of the privacy and technology project for the American Civil Liberties Union. "It is time to declare that the Privacy Act does not work, that legislation is necessary to right the balance between privacy and other governmental interests."

"Computer matches" — the cross-checking of records by one agency against another — are routine.

Within the past 18 months, the Federal Register has contained notices of computer matches of payments to victims of black-lung disease, as well as railroad retirement benefits, civil service pensions, veterans' disability benefits and subsidized housing.

"We have an obligation to the taxpayers to ensure that their money is spent accurately and without error," an Office of Management and Budget spokesman said. "Computer matches, most recently the one carried out to check on unearned income through IRS records, are structured very, very carefully to protect privacy."

"Computer reels have to be copied and mailed across the country," he said. "There is no direct access to IRS files."

The Office of Technology Assessment report, however, is highly critical of the budget office's oversight of the 1974 Privacy Act. Both the General Accounting Office and the House Committee on Government Operations have found significant deficiencies in the budget office's watchfulness.

The Privacy Act says that information collected for one purpose cannot be used for another without permission, except for routine uses. Computer matches by the hundreds have been conducted under the routine use exemption. The budget office does little oversight of the scope or magnitude of computer matching, the quality and appropriateness of the personal information used, and the results and cost effectiveness of these applications, the report says.

The budget office protested, however, that computer matches are cost-effective. When the government withheld the income tax refunds of student loan and other loan defaulters, it cost an average of $3.70 to collect $544.91, the spokesman said.

Representative Don Edwards, a Democrat of California, said, "I find it ironic that an administration elected on a promise of getting the government off the backs of the people has brought us computer matching, drug testing and widespread polygraphing."

The once widespread concern over use of Social Security numbers as identifiers appears to have been superceded by technology. "Social Security numbers are irrelevant," said Ronald L. Plesser, a Washington lawyer and former general counsel to the U.S. Privacy Protection Study Commission.

"Sophisticated computers now use some combination of last name and street address to identify people," he said. "The bigger problem is matching. The Privacy Act is unenforced and unenforceable."

Washington's Envoy in Honduras Is Being Removed in Apparent Rift

New York Times Service

TEGUCIGALPA, Honduras — The U.S. ambassador to Honduras has been relieved of his duties after less than a year of service, according to an embassy spokesman.

The ambassador, John A. Ferch, notified the Honduran government Monday that he would be replaced this summer, according to Honduran officials. Mr. Ferch refused to comment on the reports.

Reading a statement, the spokesman, Arthur L. Skop, said:

"The change is based solely on the needs of the Foreign Service and the United States government. The change does not reflect policy differences, for there are none, nor any disruption of our close bilateral relations with Honduras, which continue to be excellent."

Mr. Ferch's early departure appears likely to trouble some Honduran officials. It comes at a time of sharpening U.S. policy toward Nicaragua, Honduras' neighbor to the south, and a related expansion of U.S. military and intelligence activity in Honduras.

Honduran officials have expressed concern that the Reagan administration is more interested in using Honduras as a base against Nicaragua than in strengthening the country internally through political and economic programs.

Speculation that the administration might be moving to toughen its stance through a new ambassador was fueled by the fact that State Department officials told Ambassador Ferch of his replacement just two days after Congress had approved $100 million in military and other aid to Nicaraguan rebels. The assistance will be largely funneled through Honduras.

Reuters

John A. Ferch

"The one thing that really matters here for the administration is the 'contras,' and the Hondurans know it," a diplomat said, referring to Nicaraguan rebel forces.

It is not certain why Mr. Ferch is being removed, but some U.S. officials have reportedly accused him of insufficient backing for the guerrilla war against Nicaragua.

According to some diplomats, Mr. Ferch has had differences with other U.S. officials over the large Central Intelligence Agency presence here. Other officials contend that Mr. Ferch has poorly managed internal embassy affairs at a time when staff morale is low. Several top diplomats have left in the last two months.

Mr. Ferch, 50, was named ambassador here in 1985 after three years in Cuba handling U.S. interests in the absence of official diplomatic relations. He has also served in Argentina, Colombia, the Dominican Republic, El Salvador, Guatemala and Mexico.

In interviews here, Mr. Ferch has strongly defended U.S. policy toward Nicaragua. Many Hondurans also credit him with forcing the last Honduran president to drop efforts to prolong his stay in office illegally and permit free elections.

Mr. Ferch appears to have achieved a close relationship with President José Azcona del Hoyo, who must balance his political efforts against the interests of the army high command.

"Ferch has worked hard to balance the internal development of this country with the policy toward Nicaragua," said a diplomat who credited the ambassador with improving aid programs to Honduras.

The U.S. ambassador is a powerful figure. He oversees a $200-million aid program, constant U.S. military maneuvers and the CIA contingent that helps the guerrilla effort against Nicaragua.

About 1,200 U.S. soldiers are in Honduras. Three years of military maneuvers and related construction have left a network of airstrips and military bases.

U.S. Judge Orders Soviet Libel Award

Los Angeles Times Service

LOS ANGELES — In an unusual libel ruling, a Los Angeles federal judge has awarded more than $413,000 to a businessman who said he was falsely accused by the Soviet government newspaper Izvestia of being a U.S. spy.

U.S. District Judge David V. Kenyon awarded the sum to Raphael Gregorian, 56, owner of a Palo Alto, California, medical equipment import-export company, who said his $10-million-a-year business was destroyed when he was accused of being a spy in 1984.

Gerald Kroll, the defense attorney, said he would seek immediate payment from the Soviet Union, which did not contest the suit in U.S. courts. If Moscow refuses to pay, Mr. Kroll said, he will ask the judge to seize Soviet assets in the United States.

The lawyer said the assets included a number of private companies, the largest of which is Amtorg, a trade enterprise valued, he said, at millions of dollars. He also mentioned a Soviet art exhibit now in Los Angeles, but said he would not try to attach that.

Mr. Gregorian, owner of the California International Trade Corp., exported medical and laboratory equipment to the Soviet Union for 14 years before the spy charge. Moscow then canceled his license.

Because of the Soviet refusal to contest the libel suit in the United States, Judge Kenyon granted Mr. Gregorian a default judgment last year.

He decided the actual damages on Friday, granting Mr. Gregorian $250,000 for injury to his reputation and $163,165.17 for medical equipment not paid for.

Born in the Soviet Union but now a naturalized U.S. citizen, Mr. Gregorian has charged that the allegations were made against him as retaliation for the arrest in the United States of a couple who immigrated from the Soviet Union, Nikolai and Svetlana Ogorodnikov.

The two were seized in connection with a spy case involving Richard W. Miller, a former agent of the Federal Bureau of Investigation.

The Ogorodnikovs were convicted as Soviet agents last year. Mr. Miller was found guilty June 19 of passing secret documents to the Soviet Union. Judge Kenyon presided over those trials.

Herald INTERNATIONAL Tribune
Published With The New York Times and The Washington Post

Contempt of the Court

Predictably, the World Court has found the United States guilty of violating international law by supporting the "contra" war against Nicaragua. Just as predictably, the Reagan administration feels vindicated for not bothering to defend itself; it scorns this frail institution as irredeemably hostile. The judgment was deplorably broad. America's response is damagingly petulant.

The "laws" that the court seeks to articulate are more accurately values, rooted in traditions that the United States should honor even in a hostile forum. As the Nicaragua case shows, the absence of effective rebuttal aggravates the court's tendentiousness. Worse, not to defend a policy leaves the impression that the policy is indefensible. As Americans ritually recall every July Fourth, the Declaration of Independence commands that when a people resorts to violence to upset an established international order, "a decent respect to the opinions of mankind requires that they should declare the causes which impel them."

Nicaragua's formally uncontested charges of U.S. aggression won the support of 12 of the 15 judges. But even the majority acknowledged that prior attacks against El Salvador from Nicaragua made "collective defense" a possible justification for U.S. retaliation. That consideration led judges from Britain, Japan and the United States to oppose the court's principal findings.

Only on two counts did the U.S. and British judges join in. They agreed that the mining of Nicaragua's harbors was an offense against innocent shipping, and that the CIA's manual encouraging attacks on civilians breached humanitarian principles.

On a dozen other counts, it was left to the American, Stephen Schwebel, to make the case and amass the evidence that Washington should have brought to court. Had it done so, it might have restrained the hostile judgments and emphasized the world's deep disagreements about what constitutes aggression. But who will now read Judge Schwebel's voluminous dissent — his demonstrations of court prejudice in not even hearing El Salvador's claims against Nicaragua, or his condemnation of the court's double standard in justifying only "anticolonial" interventions across frontiers?

The issue was not whether the contra war is wise, which we dispute, but whether it is valid, by international norms. The idea that a court should rule on such a question of opinion should not be alien to Americans. The World Court has advanced U.S. interests — against Iran in the hostage crisis, for example. Despite the presence of Communist judges, and those of other incompatible ideologies, the court is the only body that even pretends to search for rational guidelines of international conduct. In such a forum, and doubly so when it feels wronged, America should never be silent.

— *THE NEW YORK TIMES.*

OPEC Is on Vacation

OPEC is a classic cartel, and classic cartels are usually short-lived. One reason for this was visible in the collapse of OPEC's latest attempt to get a lock on its market. Meeting at Brioni, Yugoslavia's sumptuous and decidedly nonproletarian island resort, all of OPEC's members were able to agree immediately to raise the price of oil. But how? The only way is to cut back production, and no country was willing to cut enough to make a difference. The meeting broke up in failure once again, and all the oil ministers and their retinues departed in their yachts and private jets. Each of them will keep pumping like mad, while cursing the greed and arrogance of the others.

Does it mean that the price of oil will remain low for a while? Apparently. And that you ought to begin speaking of OPEC in the past tense? Not yet. Be careful.

As always, a great deal depends on Saudi Arabia. For several years the Saudis had been selling steadily lower amounts of oil, in an effort to maintain a high price in a world in which demand was falling and other countries were producing more. Some of OPEC's members were cheating by producing more than their quotas. Late last summer the Saudis decided that they were following the wrong strategy. They began raising their production, deliberately pushing down prices. Their purpose clearly was to force some of the high-cost producers out of the market and punish the OPEC cheaters, while dissuading the industrial countries from diminishing their dependence on oil. Saudi production went from about 2.3 million barrels a day last August to 4.7 million in December. The world price went from $27 a barrel in December to about $12 currently. Supply-and-demand works.

What OPEC's other members think about it is secondary. OPEC's new competitors — Mexico, Britain, China — are all now producing more oil than any OPEC member except Saudi Arabia itself. The Saudis have evidently decided that in these circumstances the cartel's internal quarrels are intractable, at least for the present.

With their vast reserves, by far the largest in the world, the Saudis can afford to play a long game. As other countries deplete their reserves, an increasing proportion of what is left will lie under the Saudi deserts.

The industrial countries have to be very careful to discourage renewed increases in consumption. It seems all but certain that supply will decline in the next decade and prices will respond. More than ever, Saudi Arabia will be in a position to decide when, and how much. When prices begin rising, it will be much easier to enforce discipline in the cartel. The Brioni meeting was an acknowledgment that OPEC is out of business for now — but not necessarily forever.

— *THE WASHINGTON POST.*

Big Week in New York

New York's word for this week might easily have been "Ugh," as in "Ugh, I can't stand all the hype and commercialism about the Statue of Liberty," or "Ugh, let's get out of town and leave the hoopla to the tourists." Nor are such sentiments limited to New York. "Get ready," The New Republic advises, "for the most revolting display of glitz in this country's history."

Not so fast there, puritans. Think back a bit, New Republic.

There will, for sure, be glitz. What else does one call a contest for women who look like Miss Liberty and an entertainment that includes 200 men who look like Elvis Presley? How else does one describe thousands of foam crowns, hundreds of Liberty shower curtains and dozens of Statue of Liberty pasta earrings? This week brings the very apotheosis of glitz: medals, coins, choirs, spotlights, doves, balloons, square-riggers, cannons, celebrities. No wonder people contemplate spending $35,000 on four days' rent for an "apt, Lib Vu."

Glitz, yes, but is it the most revolting in history? Recall, please, the Bicentennial, just 10 years ago. The glitz then spangled the whole United States, not just New York. And it turned out not to be revolting at all. Think back to the Spirit of '76 that suffused New York when July 4 finally rolled around. Commercialized push turned not to shove but to warmth; New York turned into the Little Apple, a haven of small-town hospitality.

All the ughs about Statue commercialism are understandable. But now the events themselves are at hand; there will be much else to talk about. As the millions of visitors arrive, there is good reason to believe that, as in 1976, the cynicism will pass quickly — for there are two things to celebrate.

One thing is the very carnival atmosphere that has so far seemed so repellent. A corny, carny clamor is every bit as American as signs that point the way to the egress. The Statue's 100th birthday is a time for marches, not madrigals. New York knows that, and the mayor and his people have labored for months on logistics, from toilets to precautions against terrorism, from checking the pilings under the piers to setting up a campground at Flushing Meadow.

Second, this circus celebrates something noble. The Bicentennial commemorated America's birthday. This event is for the birthday of an idea that transcends nations. There is no mystery in why people are buying Statue torches or coming to New York for the weekend. They come to honor, even to worship the idea that no matter how brutal, primitive or distant your origins, here, in the light of her lamp, you can make it, more or less on your own wit and work, more or less on the merits.

This will be a week in which New Yorkers, their habits honed into efficiency, will be tested by visitors who don't know, before blocking the bus, that they need exact change. This will be a week in which visitors used to good citizenship will be astonished by signs that say, "Don't Even Think of Parking Here." But it will also be a week when natives and visitors join hands, and Americans and foreigners join hearts, to celebrate the spirit of '86, the Spirit of '76 and the future of liberty around the globe.

— *THE NEW YORK TIMES.*

Other Comment

The World Court Is Right

The World Court is right in ruling that the U.S. war against Nicaragua violates the charter of the United Nations.

Some will seek to dismiss the court's action as unrealistic, given the deteriorating situation in Nicaragua, where the promises of democracy that accompanied the overthrow of the Somoza dictatorship have been eroded by ideological authoritarianism and repression. But that is a separate issue. There are agreed treaty obligations and procedures for addressing threats to security in the hemisphere. The United States has not used the legally sanctioned mechanisms because it knows that it is isolated and alone in its determination to overthrow by force the Sandinist regime in Nicaragua.

Citizens of the United States, so committed to a rule of law, can take no satisfaction from this turn of events, in which their nation has chosen brute force rather than the legal instruments of redress to confront a crisis in the region.

— *The Los Angeles Times.*

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OPINION

Liberty, Like Form, Requires a Substance

By James Reston

WASHINGTON — In rededicating the 100-year-old Statue of Liberty in New York Harbor, it may be useful to reflect on what has happened to liberty in the world during the 20th century, and to define the monument's meaning.

At the beginning of the century it was taken for granted, even in Russia, that the Western democracies would provide the political models to lead the way to human progress. It was widely believed then that by using the technology and political institutions of the West, even the impoverished and backward nations would gradually learn to settle their differences by open discussion and free elections, and move toward the establishment of justice under law.

Now, in the closing years of the century, the ideals of the West are no longer taken for granted or universally accepted as the only or even the best way to the good life. They are challenged over broad stretches of the Earth and are often doubted and violated in the Americas.

All the more reason, then, to celebrate the ideal of liberty in New York Harbor along with allies, and to renew efforts to defend what is left of a common civilization.

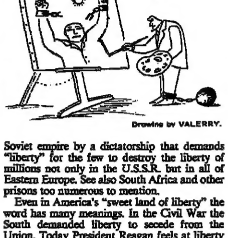
But we need to be clear about the meaning of the word "liberty," and here we can take some guidance from the past.

President Lincoln thought the world had never had a good definition of liberty.

Jefferson and Hamilton argued about it, Jefferson stressing "liberty" and Hamilton "authority." And even today there are many who believe that we have to choose between the two.

But the history of the American republic suggests that the conflict between liberty and authority can be resolved only by uniting the two principles. "To be partisan today as between Jefferson and Hamilton," Walter Lippmann wrote more than 40 years ago, "is like arguing whether men or women are more necessary to the procreation of the race. Neither can live alone. Alone — that is, without the other — each is excessive and soon intolerable."

The evidence of this is all around us. The terror in the world is committed by a small minority who believe that they are at liberty to use any violent means to achieve their political ends. People are deprived of independent work in the



Drawing by VALERRY.

Soviet empire by a dictatorship that demands "liberty" for the few to destroy the liberty of millions not only in the U.S.S.R. but in all of Eastern Europe. See also South Africa and other prisons too numerous to mention.

Even in America's "sweet land of liberty" the word has many meanings. In the Civil War the South demanded liberty to secede from the Union. Today President Reagan feels at liberty to try to topple the government of Nicaragua, although he recognizes the government there and keeps an ambassador in Managua. In the process he violates his treaty commitments to the Organization of American States and the United Nations, and rejects the World Court's responsibility to pass judgment on his military actions.

Likewise he feels at liberty to send his bombers against Libya to punish Moammar Gadhafi for supporting terrorists, and he resents the allies for failing to cooperate with his invasion.

In the civil life of the American nation, personal liberty has a lovely sound but often means license to break the law, traffic in drugs, abandon families and put personal or special interests ahead of the general good.

To argue against such personal "liberty" is not mere moralizing. Tocqueville insisted that liberty could not stand alone but must be paired with a companion value: liberty and morality; liberty and law; liberty and justice; liberty and the common good; liberty and civic responsibility.

The modern nation-state, operating for the first time in a complicated world economy, has to find practical ways of reconciling personal liberty with the general welfare if it is to compete successfully with other industrial nations that are making progress through cooperation by management, labor and government rather than through conflict and confrontation.

The Statue of Liberty is a powerful symbol. By opening its doors to the hungry and oppressed peoples of the world, America increased its population from 50 million a century ago to 227 million in 1980, and was strong enough to bring the New World to the rescue of the Old in two great challenges to Western civilization.

The United States is still being faithful to the open door and providing refuge to the displaced peoples of Asia and Latin America. But it is learning, ever so slowly, that liberty without restraint is like a river without banks, and that the river must be limited to be possessed.

Unfortunately, it is easier to restore a monument than to master a new philosophy for the coming age. But the Statue of Liberty reminds us that even in a wayward age some things endure.

The New York Times.

Immigration: Most Speeches Won't Be Relevant

By Frank Del Olmo

LOS ANGELES — When America celebrates the centennial of the Statue of Liberty, we can expect more than the usual Fourth of July pomp and circumstance. I am not alone in worrying that Hollywood glitz will overwhelm the rededication of austere and dignified monuments like the statue and nearby Ellis Island, where millions of immigrants first set foot on American shores. But I am even more worried about the rhetoric.

If the speechmaking by President Reagan, Chief Justice Warren Burger and others lapses into the maudlin sentimentality with which America often celebrates its immigrant roots, the hypocrisy will be so transparent that it should embarrass us all.

While Americans celebrate an idealized immigrant past, they should not forget that the United States has been unable to write a realistic and humane immigration law for today.

Even as nighttime fireworks illuminate Emma Lazarus' words at the base of the statue, which call on the world to send its "huddled masses yearning to breathe free," Border Patrol agents from San Diego to Brownsville, Texas, will be starting their evening shift. They will spend the night trying to arrest and expel from the United States as many of today's "huddled masses" as they can catch. Most of their prey will be Latin Americans seeking to enter the United States to find jobs that they cannot get south of the border.

Before the July 4 speeches have been forgotten, Congress will return from its holiday break to resume the dreary process of trying to draft the new immigration law that everyone agrees is badly needed but whose specifics no one can agree on. They have been trying for six years now.

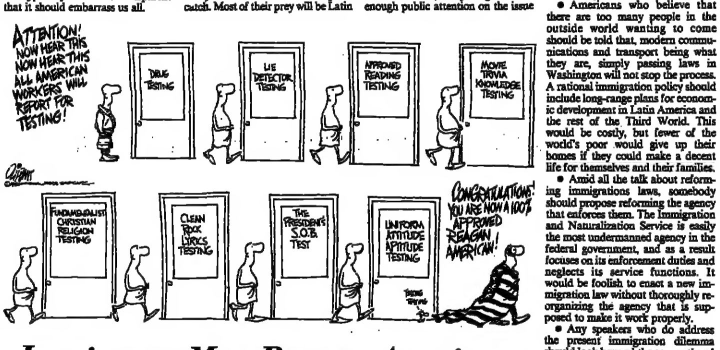
Of course, if President Reagan and the other dignitaries were to talk frankly about immigration — past as well as present — to the people of the United States, they might focus enough public attention on the issue to break the political logjam that holds up immigration reform.

After reporting on immigration issues for more than 15 years, I have a few points I would like to see some platform dignitary make on July 4:

- Americans should be reminded that every national or ethnic group that immigrated was accused of undermining American life and culture, just as hysterical restrictionists are claiming about Latinos and Asians today. None did, obviously. Instead they contributed to making the United States a stronger and richer nation. Acknowledging that might lead to more thoughtful discussion of current immigration trends.
- Americans who believe that there are too many people in the outside world wanting to come should be told that, modern communications and transport being what they are, simply passing laws in Washington will not stop the process. A rational immigration policy should include long-range plans for economic development in Latin America and the rest of the Third World. This would be costly, but fewer of the world's poor would give up their homes if they could make a decent life for themselves and their families.
- Amid all the talk about reforming immigrations laws, somebody should propose reforming the agency that enforces them. The Immigration and Naturalization Service is easily the most undermanned agency in the federal government, and as a result focuses on its enforcement duties and neglects its service functions. It would be foolish to enact a new immigration law without thoroughly reorganizing the agency that is supposed to make it work properly.
- Any speakers who do address the present immigration dilemma should look beyond the conventional wisdom in pointing fingers of blame for the inaction of Congress. Latino and Asian civil rights groups are not holding back reform. It is agriculture — specifically, the fruit and vegetable growers in the western United States who insist that they cannot harvest their perishable crops without a steady supply of cheap labor from Mexico. The day on which those growers get an immigration measure that they like, comparatively powerless Latino lobbyists will have no chance of stopping it.
- Finally, while conceding that the current consensus in the country is for restrictionist immigration laws, someone should point out that anti-immigration laws have been enacted in the past, then rescinded when times changed. It could happen this time. Indeed, some demographers suggest that it may happen sooner than we think, as the native-born population grows older and has fewer children but still needs young, able-bodied workers to help support it.

None of these topics are likely to cause sentimental tears or stimulate patriotic fervor among Americans watching the centennial ceremonies for Lady Liberty. But if they lead to a clearer understanding of the immigrant present, as well as of the immigrant past, they could ensure that the Statue of Liberty's bicentennial will also be an occasion to celebrate.

Los Angeles Times.



Immigrants Must Become Americans

By Richard D. Lamm

The writer has been governor of Colorado since 1975.

DENVER — A nation succeeds only if the vast majority of its citizens succeed. It therefore stands to reason that with immigrants accounting for about 40 percent of our population growth rate, the future economic and social success of the United States is bound up with the success of these new Americans. Demography, in a word, is destiny.

This is an important principle to keep in mind as we try to come to grips with the problems and opportunities presented by the flood of legal and illegal immigrants from Mexico and other parts of South and Central America, who now constitute by far our largest immigrant group.

How are we doing in assimilating these largely Hispanic newcomers and provide them with a bright future? Some signs are disturbing.

John Garcia, associate professor of political science at the University of Arizona, writing in International Migration Review, finds that the average rate of naturalization of Mexican immigrants is one-tenth that of other immigrant naturalization rates. The Select Commission on Immigration and Refugee Policy made a similar finding. Increasingly, immigrants are separated from everyone else by language, geography, ethnicity and class.

The future success of this country is closely linked to the ability of our immigrants to succeed. Yet 50 percent of our children of Hispanic background do not graduate from high school. Hispanic students score 100 points under the average student on Scholastic Aptitude Test scores.

Hispanics have much higher rates of poverty, illiteracy and need for welfare than the national average. This engenders social crisis.

Not all the indicators of assimilation are pessimistic. The success of many Indochinese immigrants has been gratifying. But the warning signs of nonassimilation are ominous, and they are increasing.

America must make sure that the melting pot continues to melt: Immigrants must become Americans.

Seymour Martin Lipset, professor of political science and sociology at the Hoover Institution, Stanford University, observes: "The history of bilingual and bicultural societies that do not assimilate are histories of turmoil, tension and tragedy. Canada, Belgium, Malaysia, Lebanon — all face crises of national existence in which minorities press for autonomy, if not independence. Pakistan and Cyprus have divided. Nigeria suppressed an ethnic rebellion. France faces difficulties with its Basques, Bretons and Corsicans."

The United States is at a crossroads. If it does not consciously move toward greater integration, it will inevitably drift toward more fragmentation. It will either have to do better in assimilating all of the other peoples in its boundaries or it will witness increasing alienation and fragmentation. Cultural divisiveness is not a bedrock upon which a nation can be built. It is inherently unstable.

The nation faces a staggering social agenda. It has not adequately integrated blacks into the economy and society. Its education system is rightly described as "a rising tide of mediocrity." It has the most violent society in the industrial world. It has startlingly high rates of illiteracy, illegitimacy and welfare recipients.

With these unfinished social agendas, it bespeaks a hubris to madly rush into accepting more immigrants and refugees than all of the rest of the world and then to still hope to keep a common agenda.

America can accept additional immigrants, but we must be sure that they become American. We can be a Joseph's coat of many nations, but we must be unified. One of the common glues that hold us together is language — the English language.

We should be color-blind but linguistically cohesive; a rainbow but not a cacophony. We should welcome different peoples but not adopt different languages. We can teach English through bilingual education, but we should take great care not to become a bilingual society.

Governor Lamm, a Democrat, recently wrote, with Gary Imhoff, "The Immigration Time Bomb: The Fragmenting of America." He contributed this comment to The New York Times.

LETTERS TO THE EDITOR

Technique Isn't Enough

The idea promulgated by World Development Forum that "technological breakthroughs" will solve farmers' problems, especially in developing countries, is dangerous. *(Other Comment, June 25.)* Technology alone is not a panacea, and I say this as a technologist. More important are social and political factors.

Farmers in developing countries need basic education, credit facilities, effective cooperation among themselves and technical assistance. These should have been started on an adequate scale decades ago; instead, concentration has been misplaced on capital-intensive infrastructure. To catch up will take time, but there is no shortcut. To speak of purely technological breakthroughs is wrong because it diverts attention from the more crucial problems to be faced.

PHILLIP KIRPICH,
Consulting Engineer.
Athens.

A Nuclear Correction

In his opinion column "The Solution for Nuclear Waste? Stop Producing It" *(June 30)*, W. Jackson Davis cites a report that is not a report of the IAEA as stated. It was prepared by an independent group of scientific and technical experts and commissioned by the parties to the London Dumping Convention, with the International Maritime Organization as the secretariat. The estimates of risk are not those of the IAEA and may not be attributed to it.

F. MEYER.
IAEA, Vienna.

The Spanish Elections

Regarding the editorial "Stability for Spain" (June 24):

The Socialists polled 44 percent in Spain's recent general election, down from 48 percent in 1982 (and not 1984, as stated), so your observation that this year's result is "roughly the same" is not substantiated.

Manuel Fraga Iribarne was at one stage a deputy prime minister, but he was never prime minister. And the leader of the Democratic and Social Center is former Prime Minister Adolfo (not Mario) Suárez.

J.F.B. HECK.
Madrid.

Japanese Look Out For a Role

By Hiroko Yamane

PARIS — Just as in most o democracies, foreign polic sues play a minor role in legisl elections in Japan. Local inte and above all personal loyaltie political leaders dominate as the 6 elections to the lower and u houses of the Diet approach.

Thus, an ambitious nation w since the 1860s has been gropin its proper place in the internat arena underplays questions of eign policy at election time.

Japan's disastrous failure in last war led people to concentra

Future campaigns wi doubtless be livelier.

recovery and to look inward in to survive and grow. Postwar go ments saw advantages in this inv looking, passive approach to th ternational political scene.

Still, there are signs of chang For a few decades after the wa nation was largely split into two logical camps over the questic allegiance to East or West. The l al Democratic Party adhered t U.S.-Japanese military alli whereas the Socialist and Comm parties advocated neutrality break with the American allian

Today, ideological feuds o eign policy seem less importa consensus seems to be emergi certain new foreign policy issu

One such issue is the yen. Japanese leaders regret what now see as their overconfide the spirit of cooperation amo Group of Five countries which vened to devalue the dollar las tember. The Liberal Democra aware that their party's power eroded if the value of the yen to around 120 to the dollar fr present 166 rate. That would m harder to export, particularly produced by small industries.

Far from finding cooperatic pan was completely isolated question of the yen at the summit in May. The countr been left to seeking a solution help: It has to devise a way to tr profits earned by the beneficia the high value of the yen — s electric, gas and petrochemica ducers — to the small and m export industries. On this the only slight differences of among the different political p

Another emerging consensu to do with the need to impro pan's relationship with the Union. Most parties envisage dimensional contacts, especia culture, technology and educ However, the Japanese terr claim on Soviet-held islands Kuril chain has become a cont sial issue in the last decade, se ing the Communists and Soc from other political groups.

All parties express hope f increased Japanese internat role, especially in the Asia and P regions. But they differ on pre what kind of role the country s play. The Liberal Democratic this role in mainly economic t through Japan's own growth an bility as a leading technological er, as well as through an enligh policy of foreign aid. The Soc envisage Japan as a nonnuc nonaligned country.

Smaller parties that claim centrist, such as Komeito, a Bud grouping, and Minshato, social ocrats, are aggressively ambi with relatively new proposals surpass the traditional idelog quarrels based on an East-West ception of the world. They wa tive Japanese diplomacy that pr poses less military dependence United States, with the aim of fo ing a *pax nipponica* in the regio

Sunday's elections are unlike change Japan's foreign policy si cantly. They will again seem a event in international terms. Bu may be the last time. Japanes searching for an independent national role. As the East-West logical screen that distorts perce of national interests becomes g ally less operative, divergent ex sions of nationalism will doub enliven future election campaig

International Herald Tribune

Letters intended for publicat should be addressed "Letters to Editor" and must contain the w er's signature, name and full dress. Letters should be brief are subject to editing. We can be responsible for the return unsolicited manuscripts.

IN OUR PAGES, 75 AND 50 YEARS AG

1911: U.S. Wins Air Race

PARIS — The Coupe Internationale d'Aviation returns to America. Charles T. Weymann, the only American competitor, having won the trophy [on July 1] at Eastchurch, Isle of Sheppey, England, in the time of 1 hour, 11 minutes, 36 seconds on the 150-kilomètre course. Three years ago, at Rheims, when the Coupe Internationale was first offered, it was won by Glenn H. Curtiss, the American aviator, with a big field against him. Last year, at Belmont Park, New York, Grahame White, the Englishman, came out victorious. Mr. Weymann was hard pushed by two members of the French team, A. Leblanc and E. Nieuport, who placed second and third. There were only about three minutes between Mr. Weymann's and M. Nieuport's finishing times. About 15,000 wildly enthusiastic spectators were on hand.

1936: Against Sanctio

GENEVA — Great Britain France led the retreat of states the League of Nations sanc front against Italy. Léon B French Premier, and Anthony E British Foreign Secretary, urgec July 1] the abandonment of all nomic measures taken to halt Pre Mussolini's aggression against E pia on the ground, in the worc Mr. Eden, that "their continu can serve no useful purpose." attitude of the French and Briti favoring the revocation of sanct was supported by Maxim Litvi Foreign Commissar of Soviet Ru Only one dissenting vote, tha South Africa, was raised. Its dele said: "The Union of South A cannot without protest subscrit a declaration to the world w ... will shatter for generation international confidence."

INSIGHTS

…e Americanization …f Miss Liberty Altered …rance's Message to Itself

By Richard Bernstein
New York Times Service

…ARIS — The special bond between …rance and America goes back at least …o the American Revolution and Benja… …nklin's diplomatic mission to Paris. For …y now, that bond has been embodied in …t structure that stands in New York … The statue's message — liberty — is …ally dear to both countries. But over the …tury, the message has been altered in …ion, and Mlle. Liberté and Miss Liberty …onger the same lady.

…reators of the Statue of Liberty knew …y what the message was. This group of …aded French intellectuals, neither red …onaries nor white-ribboned monar… …aw an inspirational model for France in … institutions of the United States; they … and designed the statue for several … but chiefly to convey a subtle but …kable signal of republicanism to their …men.

…creators of the statue wanted to praise …ted States for its liberty, while at the …ne suggesting to the French people that …ns were not the same in France, where …em of government was kind of Caesar… …aid Pierre Provoyeur, curator of the …ns of France and general commissioner …rench exhibitions for the statue's cen… …celebration.

…gift to the people of the United States, …ne was a kind of subterfuge, a means of …ing from outside France a political al… …e for France itself. The plan worked, … statue so evolved into an American …rk and a universal symbol that it re… …n act of historical imagination for to… …renchmen to recognize in her an image … own past and their own political strug… …t the intellectual and cultural origins of …me remain the key to understanding …f the current differences and similarities … French and American concepts of lib…

…dea of the statue was first broached in … a dinner party at the country home, …rsailles, of Edouard René Lefebvre de …aye, an internationally renowned jurist … author of a three-volume history of the … States. Laboulaye was an impassioned …e of the republican form of government …admirer of Abraham Lincoln. In this he …ical of the liberals of the Second Empire … Maurice Agulhon, professor of contem… …history at the University of Paris, noted, …ascinated by the United States, especial… …nited States that, victorious in the Civil …ad liberated the slaves."

…ulaye and the group around him were …nt but discreet opponents of Louis-Na… … who had seized France in 1851. They …red him a tyrant, who, exploiting the …ul tendency in French political life to …r a Caesar, had betrayed the brief repub… …overnment that followed the revolution… …vement of 1848. But if Laboulaye hated …on III, he had almost as strong an aver… …the excesses of revolution. To Laboulaye … circle it was the Americans who had … the way to combine order and liberty.

… of Laboulaye's dinner guests was Fré… …uguste Bartholdi, a young sculptor with …te for colossal that was so much a hall… …of his age. We may imagine with what …t he heard of Laboulaye's project for a

…Laboulaye's plan was premature, since in …ne forces of republicanism were too weak …ose of Napoléon III too strong to permit …n undertaking. It became practicable …fter Napoléon III's fall from power fol… … the humiliating French defeat by Prus… … 1870. This Prussian victory, in which …and Lorraine fell under German control, … a new era of French history, during … the republican forces were able to press, …ventual success, for the creation of a …tutional state. In the volatile France of …70s there was no better way to fortify a …ican image of France against Bonapart… …e monarchy and radical anarchy than by … France and America through Labou… …monumental gift.

In 1871 Bartholdi, at Laboulaye's urging, undertook a voyage to the United States to sell the idea of the statue. His republicanism had been reinforced by the war. He had fought against the Prussians and had seen his hometown, Colmar, fall to their troops. Before his departure for America, he wrote to his patron, "I will try to glorify the Republic and Liberty over there in the hope that someday I will find it here again."

THE creation of the Third Republic, in 1870, brought an open and enthusiastic promotion of the Statue of Liberty. Although liberals, Freemasons and businessmen with American interests were the most enthusiastic supporters of the project, by 1881 about 100,000 people and 181 towns throughout France had contributed money.

It is difficult, more than a century later, to appreciate the potency of monuments as political symbols in 19th-century Europe. Since the Statue of Liberty was conceived as a statement of republican ideals, she would bear no resemblance to such earlier icons as Delacroix's incendiary "Liberty Leading the People," of 1830, a bare-breasted, flag-waving Amazon at the barricades. As Bartholdi wrote, in reflection of Laboulaye's ideas, "Revolutionary Liberty cannot evoke American liberty, which, after a hundred years of uninterrupted existence, should appear not as an intrepid young girl but as a woman of mature years, calm, advancing with the light but sure step of progress. She should emphasize the Order of establishing rather than the Order of tearing down."

The 19th century was a basically optimistic time, filled with faith in the ability of technical progress to solve virtually all the problems of mankind if wedded to political freedom; the colossal statue would therefore also represent French engineering prowess, itself a sign of the vigor of republican France triumphing over the old monarchy.

Bartholdi set to work in the Paris workshops of Gaget, Gauthier & Co., at 25 rue de Chazelles. Crucial technical help on the statue's inner steel scaffolding was provided by Gustave Eiffel. When, in 1884, the Statue of Liberty was exhibited in Paris, there was some regret among the city's citizens that the monument would not stay in France — a regret that led to the building of a scaled-down model that would eventually be placed on the Ile des Cygnes, downstream from Eiffel's tower, and the later installation of a model in the Luxembourg Gardens (a gift of Bartholdi's widow).

Laboulaye did not live to see his project completed. He died in 1883, two years before the statue made its voyage across the Atlantic to be assembled on the American side. When the Statue of Liberty was finally unveiled in New York Harbor in 1886, it was Ferdinand de Lesseps, the engineer of the Suez Canal, who saluted America as the country where "progress is religion." This was the image of America that lay at the heart of the dream that 19th-century liberals had for France itself.

The rapid Americanization of the Statue of Liberty, her new role as the Mother of Exiles, profoundly altered the nature of her message to both Frenchmen and Americans. Liberty was no longer a beacon semaphoring a political message toward Europe; she was a wave of welcome to the millions of immigrants who flowed into America in the 1880s and beyond. Laboulaye, Bartholdi and their champions never associated their statue with the American dream of a new life for the "huddled masses." By the beginning of World War I, she had moved even beyond that and come to symbolize simply America. But if the emergence of the statue as an American icon has served to obscure her French origins, the question of the meaning of Liberty and how to obtain it has not been entirely resolved in France. Consider the model of the statue that stands in the little Mediterranean town of Saint-Cyr-sur-Mer.

In 1913, Saint-Cyr decided to celebrate the installation of running water by buying one of Bartholdi's remaining scaled-down copies of the Statue of Liberty. The money was provided by the richest man in the village and the nine-foot-high (2.75-meter-high) model was put under the sycamore trees at the edge of the square. A conflict soon erupted.

Saint-Cyr, like many places in France at the beginning of the century, was divided into two main political factions — the reds, who favored republican ideas, and the whites, who were still nostalgic for the old French monarchy. The details of the debate over the statue have been lost in time, but very likely the reds wanted an inscription on the base of the statue that would proclaim the virtues of liberty and republicanism, and the whites objected. Since no one was able to agree on an appropriate inscription, the base was left blank and remains so.

Adelina Bommert/The Associated Press
A model of Miss Liberty in Paris, draped with the U.S. and French flags.

Saint-Cyr-sur-Mer is not normally a place of great historical symbolism. But the village battle that came nearly half a century after the great struggles that divided all of France in the 19th century illuminates the same basic issue — the reluctance of France to accept fully the idea of republican government.

Indeed in 1913, in contrast to the United States, France had not become a country in which the idea of liberty had taken indisputable root. Only a few years earlier, the country had been rocked by the terrible affair of Captain Alfred Dreyfus, who was wrongly accused of treason by the French Army, convicted and deported to Devil's Island. The Dreyfus episode had many elements, including a powerful strain of additional anti-Semitism. But at its deepest level, it was a continuation of a long battle between advocates of what might be called a "modern" idea of France — free, pluralist and tolerant — and traditionalists who feared that modern times would sap the French nation of its glorious heritage and spirit.

There are those in France today who maintain that the same passionate divisions are never far from the surface. France is a vigorous democracy, but many of its citizens see echoes of the Dreyfus affair in the rise of a renascent extreme rightist party, the National Front. The front, in calling for the mass expulsion of immigrants and declaring "France for the French," echoes the xenophobia of earlier epochs.

WITH their history of monarchy, feudal privilege and great discrepancies of wealth, moreover, many of the French since the Revolution of 1789 have insisted on equal access to opportunity and the redistribution of wealth as their main goals. To a large extent, liberty in France still means tearing privileges away from an entrenched aristocracy and making them available to all the people.

"In the United States, liberty was something that sort of grew out of the soil," said François de Laboulaye, a descendant of Edouard and a former Ambassador to the United States who is serving as president of the official French-American committee for the celebration of the centennial. "In France, liberty is seen as the result of a sometimes bloody struggle with an oppressor."

"The United States is seen here as a country with a level of freedom that is extraordinary and sometimes too great," said the French historian Emmanuel Le Roy Ladurie. "The United States is very rich and powerful and has the luxury of being able to offer itself a certain excess of freedom."

For the French, maintaining institutions that are both free and stable has been a constant, wearying struggle. This is a country that has long perceived itself as divided between antagonistic forces — monarchists vs. republicans, clergy vs. laity, workers against capitalists — for whom compromise was nearly unacceptable. The heritage of the bitter political conflict is evident in much of recent French history, during which a costly instability seemed built into the very nature of parliamentary life.

In fact, it was only in 1958, following decades of fragile coalition governments dominated by political factions that Charles de Gaulle, searching for stability, created the constitution of the current Fifth Republic, which gives more power to the president of the country than that enjoyed by any other Western head of state.

François Mitterrand, who became president in 1981, declared de Gaulle's system "a permanent coup d'état." Mr. Mitterrand, while exercising the presidency with all the powers conferred on it by de Gaulle, is said by his advisers to believe that it remains too authoritarian an institution. "Before me it was dangerous," he is reported to have said. "After me it will be dangerous again."

Mr. Mitterrand himself entered into an unusual political arrangement, given the name *cohabitation* in France, following legislative elections in March, when his Socialist majority was narrowly defeated by a coalition of conservative parties, leading the president to appoint a prime minister from his longstanding political opposition. Thus for the first time ever, a president of one party is ruling together with a prime minister from the opposite political side, a situation that many in France fear might lead to a political stalemate and early elections.

Still, there are few who question the basic idea that the Fifth Republic has given France a greater stability than at any time since republican government was created in the 1870s. And that leads to a second basic difference in the practice of liberty in France. This is a country that expects and even demands a strong governing hand, firmer and more authoritarian than in the United States.

The great power of the French state can be seen in the enormous extent of state bureaucracy; in the offices of prefects, the representatives appointed by the central government in every departmental capital; in the great power of the national police to make arrests and to question suspects. The French government simply does not believe it has to explain itself to its citizens very often. It is not that France lacks freedom, but the corporate reflex of French life, the implicit demand that government be everywhere, has led the French people to invest their authorities with a more unquestioned and less scrutinized power than Americans grant to their authorities.

In France, as in the rest of Europe, the strength and legitimacy of the state have led to a greater acceptance of a kind of socialism generally adopted by the parties of the left, but, in effect, by the parties of the right as well.

Jean-Marie Benoist, a conservative philosopher and political commentator in Paris, believes that freedom has in France been what he calls "a freedom from rather than a freedom to;" he means that the French see freedom as a protection against disorder and dictatorship but not as a means to take initiatives. "We have always been a country of functionaries and civil servants, trusting the state to grant us freedom and security at the same time," he said.

And so, France and America have gone their separate ways, liberty representing something similar and yet different for each. But if the purpose of the Statue of Liberty was to create an undying image of freedom under the law, Laboulaye's project was a great success.

The enduring historical relationship between France and the United States will be highlighted during this centennial summer in the cities and towns of both countries, including a celebration in the town of Saint-Cyr-sur-Mer. As a part of the festivities, the town's memorial to the glories of running water will be moved from the edge of the square to its center. It is hard not to read its shift in position as a metaphor of the centrality of the idea of liberty to both nations. There is still no plaque on the monument, but perhaps that, too, can serve as a reminder that the values represented by either Mlle. Liberté or Miss Liberty can never be taken for granted.

A Tricolored Performance For America's Celebration

By Christopher Boian
International Herald Tribune

PARIS — Anything short of perfection is dangerously unacceptable to the nine pilots who form the French Air Force's aerobatic flying team, which is to soar over the Statue of Liberty as the United States celebrates its independence on the Fourth of July.

Timed to coincide with the conclusion of the Paris Boys Choir's rendition of the Marseillaise, the flying team — the Patrouille de France — is to pass Governors Island at approximately 350 mph (565 kph).

In their first American appearance, the fliers are to perform a 20-minute aerobatic show over Coney Island, leaving thick contrails of red, white and blue smoke behind their eight Alphajets. The performance begins their month-and-a-half tour of the United States.

The Patrouille de France, now in its 33d year, has performed in almost all west European countries as well as many in Africa. It is considered both by military aviation experts and civilian enthusiasts to be one of the most carefully polished and adept groups of aviators in the world.

A U.S. Air Force officer who has flown with the French Air Force recently described the team as "without question among the finest, most competent and professional aerobatic teams." He added: "Its pilots exemplify the absolute highest standards of discipline in flying."

The Patrouille de France comprises nine fliers, although shows are performed with eight aircraft, two of which take part in solo stunts as well. The extra pilot is a replacement. Apart from entertaining, the purpose of the team is to demonstrate the quality of French aircraft and air force pilots.

For each of the 20 minutes of their aerial ballet for spectators, team members spend more than 3,000 hours testing and preparing, both on the ground and in the air.

Based on the Côte d'Azur, in the town of Salon-de-Provence northwest of Marseille, the Patrouille de France spends five days a week from late September through early March in what is a rigorous training schedule even by military standards.

Each morning the team meets for a briefing that includes studying videotapes of earlier flights, designing and mathematically planning new maneuvers and double-checking all aspects of that morning's practice flight.

The briefing is followed by a one-hour exercise in the air. That is the time, said the team's flight leader, Commander Pascal Féraud, "when the pilots begin to feel easy in the job for that day."

Once back on the ground, the pilots return to the classroom for debriefing. The afternoon training schedule is virtually the same routine, except that the flight is usually two hours long.

"At the end of the day, we play some sports," said Captain Patrick Dutartre, the newest member of the Patrouille de France. "It's good for maintaining reflexes. Also it's fun." He joined last fall and flies as the slot wingman, the pilot in the center of all formations.

ALTHOUGH individual maneuvers are calculated and studied in detail for several weeks before they are attempted, the risks are high during practice. "I'm most nervous when we have just begun to work on the formations in the aircraft and nobody is completely sure how it will go," said Commander Féraud. "We've seen on paper what should happen, but until we go up and try it …." He ended his sentence with a casual laugh.

In addition to having been a flight commander in a fighter squadron, each officer recruited for an average three-year tour of duty with the team has accumulated approximately 2,800 flying hours. Each has also passed specialized physical and aptitudinal screening tests.

But no matter how thorough an effort is made to minimize the risks and reduce the element of chance, danger is always and unforgivably present: At the 1967 Paris Air Show one of the team's pilots was killed when his CM-170 Fouga Magister slammed into the ground while pulling out of a particularly difficult maneuver. Three years ago both of the team's solo pilots were killed when they collided head-on during an air show in Niort, France.

As Captain Dutartre said, "*Ce n'est jamais gagné*" — roughly, "There's no room for mistakes."

He recalled a training exercise when, flying in the center of a tight eight-man diamond formation, he had to slow his speed slightly and, in effect, drift backward between the left and right wingmen trailing him. Traveling at more than 400 mph with the two wingmen moving up alongside him, he had just five feet (1.5 meters) on either side between the tips of his wings and the tips of theirs — but he could not see them.

"It was the first time I had tried this one," he said, "and it was O.K. until the turbulence. When there was a little turbulence, my heart jumped and I thought something might be wrong. But it went off fine."

All of the pilots are aged from 30 to 35. Six of the nine are married and five have children. Each pilot appears to accept the hazards with a combination of "old-salt" stoicism and boyish delight.

"We are very lucky — all of us love what we are doing," Captain Dutartre said. "I'm always a little afraid, but this is what I've always wanted to do."

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By E.J. Dionne Jr.
New York Times Service

…ME — Pope John Paul II has …e archbishop of Canterbury …he ordination of women as … by some Anglican churches …ts an "increasingly serious …le" to eventual Anglican-Ro… …Catholic reunion.

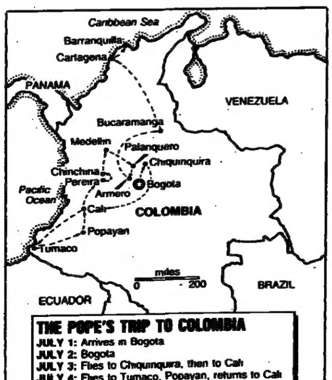
… Vatican made public Mon… …n exchange of letters between …chbishop, the Most Reverend …t Runcie, and the pope and …nal Johannes Willebrands, …ad of the Vatican's Secretari… … Christian Unity.

… most recent letter in the ex… …e, from Cardinal Willebrands …ne 17, stated that the argu… … offered for women's ordina… …by some Anglican commu… … were "unsatisfactory."

…dinal Willebrands warned …'a development like the ordi… …n of women does nothing to …n the communion between us …weakens the communion that …ntly exists."

…letter from the pope to Arch… …p Runcie, dated Dec. 20, … referred warmly to the pro… …made between Anglicans and …olics in resolving their 400-… …split. But he said that he was …red to reassert Catholic tradi… …on the ordination of women … all brotherly frankness" and …d:

…he increase in the number of …ican churches which admit, or …reparing to admit, women to …ly ordination constitutes in …yes of the Catholic Church an …asingly serious obstacle to that …ess."



Reuters-UPI
JOHN PAUL'S ITINERARY — Pope John Paul II landed in Colombia on Tuesday to begin a seven-day visit.

For 16 years, joint Catholic-Anglican commissions have been discussing the possible reunion of their churches and have neared accord on a number of theological questions.

But the decision of some Anglican communions in Canada, New Zealand, Uganda and Hong Kong to ordain women has posed an increasingly severe strain on the dialogue. Other Anglican communions are opposed to the ordination of women. The issue will be debated at the Church of England's General Synod in early July.

Roman Catholics also are divided on the issue, with a large number of Catholics — especially in Western Europe and the United States — advocating women's ordination.

"I am not myself convinced," Archbishop Runcie wrote Cardinal Willebrands, "that action should be taken on ordination to the presbyterate by Anglicans alone, no matter how convincing the positive arguments, until there is a wider consensus in our churches."

IMMIGRATION: *Curbs Gain Favor, Despite Americans' Sympathy for Newcomers*

(Continued from Page 1)

survey was plus or minus 3 percentage points.

The government said it does not know how many illegal immigrants there are. Some researchers have suggested that the annual flow of illegal aliens might exceed the flow of legal aliens. But since many of the illegal migrants come and go across the border, experts said that the number of legal immigrants, 570,009 last year, almost certainly exceeded the number of illegal aliens who settle here.

Officials of the Bureau of the Census said on Monday that they did not have figures on the number of immigrants who received welfare benefits. In the 1980 census, they said, the poverty rate for families headed by foreign-born people was slightly higher than the rate for all families: 10.5 percent as against 9.6 percent. However, the rate was only 7.6 percent for immigrant families that had been here more than 10 years.

People in the Northeast were much less likely than residents of other regions to favor restrictions on immigration. Only 38 percent of people interviewed in the Northeast said that immigration should be decreased. However, that view was expressed by 51 percent of people in the West and by 53 percent of those in the Middle West and the South.

The poll was conducted just before the House Judiciary Committee finished work on a comprehensive immigration bill designed to curtail the influx of illegal aliens.

The survey found solid public support for the two key elements of the legislation: penalties against employers hiring illegal aliens and a program to legitimize the status of illegal aliens who have been here for several years. But by a margin of 58 percent to 36 percent, the public opposed another element of the legislation: special arrangements for farmers to bring in temporary workers from other countries to pick crops.

A larger-than-usual number of Hispanic Americans was interviewed, and interviews were conducted in Spanish when necessary. Hispanic people were much more pro-immigration than whites or blacks. They were hostile to employer sanctions. And they were more likely than whites to believe that most recent immigrants were here illegally.

The findings of the poll tended to support the warnings by members of Congress that there could be a backlash against immigration if no additional controls were adopted. "The American public will demand a repressive response," Representative Hamilton Fish Jr., Republican of New York, said last week.

In follow-up interviews with respondents in the poll, reasons for their seemingly contradictory answers emerged. For example, the Reverend Leroy Vickerstaff Jr., of Detroit, a Baptist minister, said that immigrants "helped build the country." But he said his attitude to immigration had become more negative as he perceived aliens putting "stress on employment and housing."

"We once were the melting pot, but other countries have abused our resources," Mr. Vickerstaff said.

Nevertheless, 68 percent of the public said new immigrants would be welcomed into their neighborhoods. Even among those who want immigration reduced, 61 percent said their neighborhoods would welcome newcomers from abroad.

Members of racial and ethnic minority groups are less likely than other people to favor restrictions on immigration. Fifty-two percent of whites said that immigration should be decreased. But only 39 percent of blacks and 31 percent of Hispanic people favored a reduction. People who identified themselves as blacks or whites of Hispanic origin were counted as Hispanic, and not as blacks or whites.

Poorer people and those with less education are generally more eager to restrict immigration. As family income and education levels rose, people expressed more favorable views of immigrants, less support for restricting immigration and more support for increasing it.

68 percent of the public said immigrants would be welcome in their neighborhoods. Even among those who want restrictions, 61 percent said they would be welcome.

Thus, 55 percent of people with family incomes under $12,500 a year said that immigration should be reduced, but only 42 percent of those with incomes over $50,000 said that. Of those with less than a high school diploma, 55 percent said immigration should be reduced. But only 35 percent of college graduates wanted to reduce immigration.

Compared with those who failed to complete high school, the college graduates were more than twice as likely to say that the United States should welcome immigrants who came with few resources, 68 percent vs. 31 percent).

Here are the poll findings on specific proposals:

- Overall, 69 percent of the people interviewed said the government should penalize employers who hired illegal aliens. Twenty percent opposed such penalties. Support for employer sanctions was strong among union members, who favored them by a margin of 75 percent to 15 percent. Hispanic Americans, by contrast, opposed sanctions by a margin of 49 percent to 34 percent.
- A solid 58 percent of Americans said that illegal aliens should not be deported if they have lived in this country for several years without breaking any laws. Thirty-two percent opposed this.
- Only 33 percent of the people interviewed said that the army should be used to stop the flow of illegal aliens from Mexico if the Border Patrol was unable to do so. Fifty-seven percent said that using the army was "too drastic a step."
- Fifty-eight percent of the people said that temporary workers should not be brought from other countries to pick crops. Only 36 percent supported such use of foreign workers. The proportions were reversed among Hispanic people, with 55 percent supporting the admission of foreign agricultural workers and 39 percent opposing it.

Support for bringing in foreign laborers was strongest, by far, in the West, where half endorsed the idea. By contrast, only a third of the people in other regions supported such a program.

Recent immigrants were much more likely to welcome new immigrants than are people whose families came to the United States before World War II.

People who described themselves as conservatives were more likely than liberals and moderates to support restrictions on immigration. Nevertheless, nearly half of the liberals, 48 percent, said that immigration should be reduced. That view was expressed by 45 percent of the moderates and 57 percent of the conservatives.

Equal proportions of Republicans and Democrats, 49 percent, said that immigration should be decreased.

Despite the widespread desire to restrict immigration, the poll found solid support for admitting political refugees, especially those from Communist countries. Overall, 43 percent of the people said the United States should admit about the same number of political refugees as it does now, and 7 percent wanted to increase the number. Thirty-nine percent of the public would reduce it.

Reporter Cleared of Athens Charge

United Press International

ATHENS — The judicial authorities dismissed charges Monday against a part-time correspondent for The New York Times and the Daily Telegraph of London who was accused of making terrorist threats against a Greek newspaper.

The authorities said there was no evidence that Paul Anastasi, 35, had threatened Ethnos, the largest-selling leftist daily in Greece.

Ethnos and Mr. Anastasi have been in a three-year legal battle since the journalist published a book contending that the newspaper cooperated with the KGB.

SPORTS

LeMond: High Hopes, but No Promises

By Samuel Abt
International Herald Tribune

PARIS — Until now Greg LeMond's reputation has been built as much on his promise as on his achievements. He has finished first in only a handful of bicycle races, most notably the world road-race championship in 1983, a feat that he now feels might have been a handicap. "Everybody expects you to back it up, to get better and better," LeMond said, reflecting on what it was like to be world champion at 22.

"That might have been my downfall, that might be why everybody expected me to win the Tour de France when I was 24 years old. They expected me to devastate everybody. They forgot my age. If I were an average racer, a Frenchman who just turned pro at 23, all they'd say was that I had a lot of potential."

If he has not devastated everybody, he has finished high consistently, gathering enough points in 1983 to win the yearlong Super Prestige Pernod competition for the unofficial professional championship, to finish third in it last year and to rank among the leaders again this season.

But victory — first across the line with arms upraised and that slight smile that champions always seem to wear — remains elusive.

Last year LeMond won the Coors Classic in Colorado and one stage, a time trial, in the Tour de France, the first victory by an American.

"I was consistent," he said of his performance, which included third place in the Tour of Italy and second place in both the Tour de France and the world road-race championship. Would he trade all his good results for one super victory? "Oh definitely," he replied quickly. "But you can't approach it that way. You don't know when you'll have that super victory. You can't quit every race and say, 'Well, I'll just win the Tour de France.' It just doesn't work that way."

Indeed not. Bernard Hinault, his La Vie Claire teammate, is in position to win a sixth Tour de France, breaking the record he shares with Eddy Merckx and Jacques Anquetil.

Hinault is not a seeker after records, but French public opinion is pushing for him to ride for victory; even François Mitterrand, the president of the Fifth Republic, told him at a reception for the Legion of Honor to go for it.

Cursed with the ability to see both sides of the question, LeMond wavers between ambition and loyalty. "I can't blame him for wanting to win six Tours de France," he says. "But I'm as hungry as anybody else. As hungry as Hinault, that's for sure. More hungry, probably, because he's going for six and I haven't even won once."

□

LeMond was at home, preparing to drive to the *kermesse*, or exhibition race, in Knokke, Belgium. Home is down a quiet suburban street ("you don't need to lock your car") in the Belgian village of Markke, not far from the French border, where he lives with his wife, the former Kathy Morris of La Crosse, Wisconsin, and their two-year-old son, Geoffrey.

LeMond bought the two-story white stone house last year and, like so many things in his life, it worked out well financially. "I bought it when the dollar was at its highest, we got the house when it was 69 francs to the dollar and now it's at 45." He laughed in a boyish way, thrilled at putting one over on the adult side of life.

"We're going to redo the kitchen, make it bigger. We wanted something we could really enjoy because we're spending so much time here.

"Kathy is here eight months a year. In the first part of my career, I took it like we were here temporarily, but now I have to realize we'll be here a while."

His contract is, of course, a major reason. "It would be hard for me to race for, say, $20,000 a year because I know I'd rather do something else that wasn't as hard. It's too much to sacrifice living here most of the year and know you're not making a lot of money. I miss America — we have our family there. We call this home but it'll never be a real home, like America."

LeMond was preparing for the training race by cooking a lunch of spaghetti, which he topped with an American prepared tomato sauce. Strongly denying his reputation as a king of junk food, LeMond was dunking tortilla chips into the tomato sauce and washing them down with Coca-Cola. Despite the incriminating evidence, he was happy to talk admiringly about continental food, especially the way Belgians do French cuisine.

Driving to Knokke later, he pointed out to his teammate and friend Steve Bauer various restaurants hidden down side roads and listened with grave attention to Bauer's story about a restaurant he had dined in recently. "We had the foie gras," Bauer said, "and there was a sweet wine with it, white. . . ."

"Sauternes," LeMond instructed.

"And then the other color, a red, Rothsomething. . . ."

"Rothschild," LeMond thought. "Mouton Rothschild."

His interest in fine food, LeMond said, began in 1978 when he first came to Europe, a 17-year-old amateur in search of higher competition, and stayed with the family of a friend from his earliest racing days in the San Francisco area.

Life seemed simpler then, he said. He was brooding about a small story in the French sports newspaper l'Equipe, which speculated that he was more interested in his image than his victories.

"How many races has Fignon won?" he asked petulantly, referring to Laurent Fignon, the 25-year-old Frenchman who won the Tour de France in 1983 and 1984 but missed last year's race because of tendinitis in his left heel.

"I know he's had medical problems but he's won the Tour de France and that's it. And they all count him like a big star, which he is, and I'm. . . ." He groped for a word, and was reminded that people had been saying for years that he was the next superstar.

"Superstar," he snorted, whipping the car around a ramp. "That's because Hinault has been saying that. Superstar — but compared to who? You can't compare me to Eddy Merckx or Bernard Hinault. I'm just Greg LeMond, I'm a different type of rider.

"Just because I don't have the same results as Hinault doesn't mean I'm not going to be a good rider in four or five years. I'm not Hinault. Hinault has a very strong character. He says he's going to win and he does sometimes win, but I never state that.

"People who don't understand think it's a complex I have, that I don't want to be first. I don't want to say premature stuff and if you don't back it up they say, 'He's all talk and no show.' I'd rather not do that. I don't say I'll win the Tour de France, I'd rather just say I hope to win the Tour de France."

He reached the race assembly square and parked the car. Then, like the 73 other riders, the Belgians and Dutchmen from obscure teams, LeMond entered a small cafe, showed his professional license to prove he was eligible, paid 200 refundable Belgian francs for the number he had to wear on his jersey, signed the registration form and went out to race 16 times around the town.

LeMond was in the first breakaway of nine riders and stayed with it throughout the afternoon, racing hard to keep 30 seconds ahead of the main pack.

On many laps, he put his head down and sprinted all-out at the finish line, seeking not the small cash bonus but one more intense piece of training.

At the end, he hung back, content to finish fifth behind the local heroes for whom victory in Knokke was meaningful. For the American, it was only a training race, one of 20 he would ride this season, all pointing toward the Tour de France.

"Got to do something big," LeMond admitted, hoping that he could choose when and where and that, if he could, it would all start on July 4.

This is the second of two articles.

AP

Greg LeMond
"I'm as hungry as anybody else."

A Rigorous School in East Germany Makes and Breaks Olympic Dreams

By Ralph Boulton
Reuters

JENA, East Germany — Twelve-year-old Thomas propped his teddy-bear mascot against his pillow and, from the security of his dormitory room, talked calmly about his prospects as a gymnast.

"I like it here and I want to stay as long as I can," he said. "If I don't make the grade, I know I'll go back to my old school, but that's just the way it is."

Thomas is one of a few carefully selected pupils at the Jena Children's Sport School, one of a string of East German institutions for hundreds of boys and girls.

The Jena school was founded in 1954. Playroom toys take their place here alongside stopwatches, starting blocks and javelins.

The school's successes include such track stars as the sprinters Marita Koch and Marlies Göhr and the long jumper Heike Drechsler. Its failures slip back into the obscurity from which they were plucked.

The school's record shows a commitment to success. The trophy cupboard holds 42 gold, 26 silver and 20 bronze medals won at Olympic, world and European championships in sports including track and field, fencing, bicycling and boxing.

But the pressure on the 350 pupils — many of them taken on at the age of 10 after recommendations from sports managers — is immense; to outsiders, the dropout rate is staggering.

Headmaster Gerhard Rössel explained that in the average class of 16 gymnasts, all 10 years old, only two or three will complete their education here. But two or three, he said, is still a lot of world-class athletes.

"Children who come to us always have dreams of mounting the winner's podium at the Olympic Games, and it's bound to be a disappointment if they don't make it," he continued. "We can't take away that pain. But we can give them a full all-around education."

Rigorous training schedules are combined with subjects taught at normal schools.

"Sometimes it's very strenuous, but in my six years here I've gotten used to it," remarked Alce Clement during a break from her physics class. "You don't notice the stress and burden because it's all fun."

In the average class of 16 gymnasts, all 10 years old, only two or three will complete their education here. But two or three, said the headmaster, is still a lot of world-class athletes.

Alce, 18 and one of four left in her final-year track and field class, combines three 45-minute academic classes six days a week with 25 to 30 hours of training, massage and physiotherapy. And, on weekends, there are competitions.

Alce, like others, is given annual goals to meet by the communist youth organization and by national athletes. The future depends on fulfilling these tasks. But she is struggling. "She came to us with a lot a promise as a middle-distance runner," a teacher said. "She seemed to have everything, but it just doesn't seem to click now no matter how hard she tries."

Alce will probably go on to stu[dy] sports, perhaps at Leipzig's Sp[orts] University, another pillar of East German sporting establi[sh]ment.

Headmaster Rössel insists t[hat] even if pupils concentrate on sp[orts] at crucial times, their educatio[n is] not neglected. They graduate w[ith] a full school qualification, if a y[ear] or two late.

But many parents are wary [of] having their children enter the [East] German sporting machinery, f[ear]ing their talents could be explo[ited] for political ends.

Torsten, a close neighbor [of] Thomas the gymnast, says he [had] some trouble persuading his [par]ents to allow him to attend [the] school. "Parents aren't always [hap]py about it, you know," he s[aid]. "But most usually come aroun[d]."

Rössel says the elite nature o[f the] school poses no disciplinary p[rob]lems. "Alcohol and cigarettes [are] banned from the school and [the] dormitory — that is clear.

"Sometimes there are s[ome] problems with newcomers. The[y] come from schools where they [were] the best at sports and in the [first] couple of months there's a ke[en] feeling of competition — but [they] soon get over that."

East German sports offi[cials] deny they force children into i[nten]sive competition too soon at a [cost] to their childhood.

Said Klaus Eichler, vice p[resi]dent of the national sports b[ody]: "There have always been chil[d ge]niuses. No one ever reprima[nded] the ruling classes in the days w[hen] Mozart or Beethoven were c[hild]hood greats."

Indeed, there are signs tha[t] authorities want to seek out fu[ture] champions still earlier.

According to the monthly m[aga]zine Start, track and field intr[oduc]tion courses have recently beg[un in] nursery schools for children [from] the age of three.

SCOREBOARD

Baseball

Monday's Major League Line Scores

AMERICAN LEAGUE

Davis, Nelson (7), Dowley (7), McKeon (8), Schmidt (9) and Fisk; McCaskill, Moore (9) and Boone, Narron (8). W—Davis, 4-4. L—McCaskill, 8-5. HR—California, Jones (8).

Minnesota	[illegible]—5	10	0
Texas	[illegible]—2	3	2

Viola, Atherton (9) and Salas; Witt, Mohorcic (6), Harris (7), Williams (9) and Stanley. W—Viola, 8-6. L—Harris, 3-7. Sv—Atherton (5). HRs—Minnesota, Smalley (14). Texas, Incaviglia (13).

Toronto	[illegible]—9	13	0
Boston	[illegible]—10	15	0

NATIONAL LEAGUE

Montreal	[illegible]—4	12	0
Chicago	[illegible]—3	7	0

B.Smith, Burke (7), Reardon (8), Schatzeder (10), McClure (11) and Fitzgerald; Trout, Gumpert (7), Hoffman (9), L.Smith (10) and Davis. W—Schatzeder, 3-1. L—L.Smith, 4-4. Sv—McClure (4). HR—Chicago, Davis (10).

San Francisco	[illegible]—1	8	1
Atlanta	[illegible]—6	13	0

M.Davis, Minton (3), Robinson (6), Mulhol-

Major League Leaders

AMERICAN LEAGUE

	G	AB	R	H	Pct.
Boggs, Bos.	67	251	48	96	.382
Yount, Mil.	61	225	42	79	.351
Puckett, Min.	75	330	60	113	.342
Mattingly, N.Y.	76	322	50	109	.339
Easler, N.Y.	68	245	31	82	.335
Rice, Bos.	74	297	45	98	.330
Hrbek, Min.	70	263	52	86	.327
Bell, Tor.	75	302	49	96	.318
Oglivie, Mil.	55	199	30	63	.317

Runs: R. Henderson, New York, 72; Puckett, Minnesota, 60; Phillips, Oakland, 55; Hrbek, Minnesota, 52; Barfield, Toronto, 51; McDowell, Texas, 51.

RBIs: Canseco, Oakland, 66; Joyner, California, 58; Presley, Seattle, 57; Barfield, Toronto, 56; Mattingly, New York, 56.

Hits: Puckett, Minnesota, 113; Mattingly, New York, 109; Fernandez, Toronto, 99; Rice, Boston, 98; Bell, Toronto, 96; Boggs, Boston, 96.

Doubles: Rice, Boston, 24; Mattingly, New York, 23; Boggs, Boston, 21; Law, Kansas City, 21; Barrett, Boston, 20; R. Henderson, New York, 20.

Triples: Owen, Seattle, 6; Bush, Minnesota, 5; Butler, Cleveland, 5; Fernandez, Toronto, 5; Fletcher, Texas, 5; Hulett, Chicago, 5; Lombardozzi, Minnesota, 5.

Home Runs: Barfield, Toronto, 19; Canseco, Oakland, 19; Joyner, California, 19; 5 are tied with 17.

Stolen Bases: R. Henderson, New York, 46; Cangelosi, Chicago, 36; Wiggins, Baltimore, 20; Moseby, Toronto, 19; Reynolds, Seattle, 18; Wilson, Kansas City, 18.

PITCHING (8 decisions)

Won-Lost/Winning Pct./ERA: Clemens, Boston, 14-0, 1.000, 2.18; Rasmussen, New York, 8-2, .800, 3.78; Schrom, Cleveland, 8-2, .800, 3.88; Haas, Oakland, 7-2, .778, 2.98; Boddicker, Baltimore, 10-3, .769, 4.38.

Strikeouts: Clemens, Boston, 125; Higuera, Milwaukee, 118; Morris, Detroit, 104; McCaskill, California, 103; M. Witt, California, 101.

Saves: Aase, Baltimore, 20; Righetti, New York, 17; Hernandez, Detroit, 15; Harris, Texas, 14; B. Stanley, Boston, 13.

NATIONAL LEAGUE

	G	AB	R	H	Pct.
[illegible]					.345
[illegible]					.336
[illegible]					.335
[illegible]					.330
[illegible]					.321
[illegible]					.314
[illegible]					.313
[illegible]					.309
[illegible]					.304

Major League Standings

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Boston	49	25	.662	—
New York	42	34	.553	8
Baltimore	39	35	.527	10
Cleveland	38	35	.521	10½
Toronto	40	37	.519	10½
Detroit	37	37	.500	12
Milwaukee	37	37	.500	12

West Division

	W	L	Pct.	GB
California	40	35	.533	—
Texas	40	36	.526	½
Kansas City	37	39	.487	3½
Chicago	33	41	.446	6½
Minnesota	33	42	.440	7
Seattle	32	46	.410	9½
Oakland	30	48	.385	11½

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
New York	50	21	.704	—
Montreal	41	31	.569	9½
Philadelphia	35	37	.486	15½
St. Louis	32	41	.438	19
Chicago	29	43	.403	21½
Pittsburgh	29	43	.403	21½

West Division

	W	L	Pct.	GB
Houston	41	34	.547	—
San Francisco	41	35	.539	½
Atlanta	39	36	.520	2
San Diego	38	37	.507	3
Los Angeles	34	42	.447	7½
Cincinnati	32	41	.438	8

Tennis

Wimbledon Results

MEN

Fourth Round

Boris Becker (4), West Germany, def. Mikael Pernfors (13), Sweden, 6-3, 7-6 (7-2), 6-2.

Tim Mayotte (10), U.S., def. Eddie Edwards, South Africa, 6-3, 6-4, 7-6 (7-3).

Ivan Lendl (1), Czechoslovakia, def. Matt Anger, U.S., 6-7 (7-9), 7-6 (7-2), 6-4, 7-6 (12-10).

WOMEN

Quarterfinals

Martina Navratilova (1), U.S., def. Bettina Bunge, West Germany, 6-1, 6-3.

Chris Evert Lloyd (2), U.S., def. Helena Sukova (7), Czechoslovakia, 7-6, 4-6, 6-4.

Hana Mandlikova (3), Czechoslovakia, def. Lori McNeil, U.S., 6-7 (4-7), 6-0, 6-2.

Gabriela Sabatini (10), Argentina, def. Catarina Lindqvist (15), Sweden, 6-2, 6-3.

Transition

BASEBALL

American League

CLEVELAND—Assigned Ed Williams, infielder, to Waterbury of the Eastern League. Activated Pat Tabler, first baseman.

NEW YORK—Traded Ken Griffey, outfielder, to the Atlanta Braves for Claudell Washington, outfielder, and Paul Zuvella, shortstop. Placed Joe Niekro, pitcher, on the 15-day disabled list.

Football

CFL Standings

Eastern Division

	W	L	T	PF	PA	Pts
Toronto	1	0	0	21	20	2
Ottawa	1	0	0	20	11	2
Hamilton	0	1	0	20	21	0
Montreal	0	1	0	11	20	0

Western Division

	W	L	T	PF	PA	Pts
Brit Cmb	1	0	0	28	17	2
Edmonton	1	0	0	21	20	2
Saskatchwn	1	0	0	28	14	2
Calgary	0	2	0	34	49	0
Winnipeg	0	1	0	17	28	0

Sunday's Result

Saskatchewan 28, Calgary 14

SPORTS

Top Seeds Advance at Wimbledon

By Robert Millward
The Associated Press

WIMBLEDON, England — The top three women's seeds, Martina Navratilova, Chris Evert Lloyd and Hana Mandlikova, advanced to the semifinals of the Wimbledon tennis championships on Tuesday, along with 10th-seeded Gabriela Sabatini of Argentina.

Meanwhile No. 1 seed Ivan Lendl of Czechoslovakia gained the final men's quarterfinal berth by completing a 6-7 (7-9), 7-6 (7-2), 6-4, 7-6 (12-10) victory over American Matt Anger in a match suspended at 2-2 in the third set because of darkness Monday night.

Anger is the first player to have taken a set from Lendl here this year, but the Czechoslovak won on a smash that sent the American tumbling on the final point of the match's third tie breaker.

The second-seeded Evert and No. 3 Mandlikova, unlike the other two women, had tough quarterfinals.

Evert needed every shot she could muster to turn back seventh-seeded Helena Sukova of Czechoslovakia, 7-6, 4-6, 6-4. "I knew she wouldn't make a lot of errors," Evert said. "I had to win it, and I did."

Mandlikova, also from Czechoslovakia, lost her first set of the tournament before rallying to defeat unseeded American Lori McNeil, 6-7, 6-0, 6-2.

Navratilova, the No. 1 seed from the United States who is seeking a fifth consecutive Wimbledon singles crown, beat Bettina Bunge of West Germany, 6-1, 6-3, in a match that lasted only 56 minutes.

In her eighth Wimbledon semifinal, Navratilova will meet Sabatini, the 16-year-old who is in a grand-slam semifinal for the second time. The Argentine beat Swede Catarina Lindqvist, the 15th seed, 6-2, 6-3.

Mandlikova, the U.S. Open champion, was a semifinalist at Wimbledon in 1984 and runner-up in 1981. She will take on Evert in Thursday's semifinals.

Navratilova has not lost a set in the tournament; about the only highlight for Bunge, one of two unseeded players in the women's quarterfinals, was when she broke serve in the seventh game of the second set with Navratilova serving for the match. Bunge then held for 4-3, but Navratilova served out the victory.

Navratilova defected to the United States from Czechoslovakia a decade ago and became a U.S. citizen in 1981. Her parents are at Wimbledon from Czechoslovakia, as is her sister, Jana, who defected to West Germany earlier this year. "Everybody's here," she said. "It's the first time since, I think, 1980 or '81 that we've been together. My father's the host. He cooked dinner last night."

Mandlikova, who has won every grand-slam tournament except Wimbledon, had not really been tested here this year before meeting McNeil, and ran into first-set trouble. After building a 3-0 lead, the Czechoslovak could not move the 22-year-old and dropped her first set, 7-6; it was only the second time she had been taken to a tie breaker.

But from then on, Mandlikova was in charge. In the final set she broke McNeil in the first and fifth games, and rallied from 0-30 in the eighth to win the match.

On Wednesday, Lendl will face 10th-seeded American Tim Mayotte in the only men's quarterfinal involving two seeds. Of the other quarterfinalists, four are unseeded, and for the 10th straight year the men's semis will have at least one participant not among the top 16 when the tournament began.

Defending champion Boris Becker of West Germany, seeded No. 4, will play Miloslav Mecir of Czechoslovakia; wild-card entry Pat Cash of Australia will meet seventh-seeded Frenchman Henri Leconte, and in a match of nonseeds Slobodan Zivojinovic of Yugoslavia will take on Ramesh Krishnan of India.

Grass courts have always been a showcase for Mayotte. At Wimbledon, he has been in the final 16 in 1984 and 1985, in the quarterfinals in 1981 and 1983 and in the 1982 semifinal.

This year, with coach Bill Drake, he has worked on variations on the serve-and-volley theme. "Some days," said Mayotte, "certain things don't work, and you've got to be prepared, if a guy's really covering the net well, to bring him off the net. If he's passing really well, maybe some drop volleys, chipping a few more returns here and there to get the ball back in play — those types of things. They tend to help if you're having a difficult day."

So far here this year, Mayotte hasn't had that kind of day. But on Wednesday he'll be up against the top-seed.

Robert Dear/The Associated Press
Ivan Lendl, gaining the last men's quarterfinal berth.

Rasmussen Shines as Yankees End Home Drought

Compiled by Our Staff From Dispatches

NEW YORK — Dennis Rasmussen justified his new reputation as his team's stopper Monday night by halting a 10-game New York Yankee home losing streak.

Rasmussen scattered six hits over 8⅔ innings and improved his record to 8-2 with a 3-2 victory over the Detroit Tigers.

The triumph halted a franchise record-tying skid. The Yankees also dropped 10 straight in 1913, when they played in the Polo Grounds. They had not won at Yankee Stadium since May 25.

Rasmussen, who won his third straight decision, is the only starter to record a victory in New York's last 16 games.

He needed last-inning relief help from Dave Righetti, who after yielding a run-scoring single by Tom Brookens, recorded the final out for his 17th save of the year.

Catcher Ron Hassey had the decisive hit, a two-run double in the eighth that broke a 1-1 tie.

"I was just looking for a pitch I could drive," Hassey said. "I was in a situation where I could look for my pitch. We've been trying so hard to break the streak. It feels good to finally come out and do it."

Rickey Henderson gave New York a 1-0 lead in the sixth with his 15th home run of the season. Detroit tied the score in the seventh on Tom Brookens's sacrifice fly.

It was the first time in 13 home games that Yankee pitchers held the opposition to fewer than five runs. And for the first time in their last 10 home games, they didn't permit a run in the first inning.

"I've been managing here three months," said Lou Piniella. "In April, we won the most games [14] by any Yankee team in history. Then 10 losses in a row at home in June. I'm curious to see what will happen in July and August."

Red Sox 10, Blue Jays 9: In Boston, with two outs and the bases loaded in the 10th, Dwight Evans took Jim Acker's 3-1 pitch for ball four to give the Red Sox their fifth straight victory and end Toronto's five-game winning streak.

BASEBALL ROUNDUP

White Sox 4, Angels 3: In Anaheim, California, Ozzie Guillen's bases-loaded triple capped a four-run fifth inning that lifted Chicago.

Orioles 5, Brewers 2: In Baltimore, Eddie Murray singled home the tying run and Cal Ripken's bases-loaded walk forced in the winner later in the fifth as the Orioles snapped a five-game losing streak.

Twins 5, Rangers 2: In Arlington, Texas, a throwing error by second baseman Steve Buechele after an infield single by Greg Gagne allowed Minnesota to break a 2-2 tie in the eighth, and the Twins went on to add two insurance runs on Gary Gaetti's double in the ninth.

Mariners 3, Royals 2: In Seattle, Scott Bradley's two-run double keyed a three-run fourth that extended Kansas City's losing streak to four games. Mark Langston, who won his fifth straight decision, is 4-0 lifetime against the Royals.

Indians 8, A's 3: In Oakland, California, Joe Carter drove in two runs and scored twice and Cleveland took advantage of three errors to beat the A's.

Mets 7, Cardinals 0: In the National League, in St. Louis, Kevin Mitchell homered, singled twice and scored three times in support of Bob Ojeda's seven-hitter.

Reds 6, Dodgers 5: In Cincinnati, Bo Diaz hit a drive off the center-field wall that scored Tony Perez from third base in the 11th as the Reds sent Los Angeles to its fifth straight loss. Perez singled with two outs in the inning against Ed Vande Berg and took third on a double by Dave Parker. Diaz followed with a liner over the head of Reggie Williams, who broke in on the ball.

Padres 9, Astros 2: In Houston, Tony Gwynn and Garry Templeton both homered in a four-run first that propelled San Diego past the Astros. Bob Knepper (10-6) failed in his fourth attempt to become the league's first 11-game winner.

Expos 4, Cubs 3: In Chicago, Mitch Webster's third hit of the game, a two-out single to right, scored Dan Schatzeder from third in the 11th to lift Montreal. The winning rally started with two out, when pitcher Schatzeder walked on four pitches from Lee Smith.

Pirates 3, Phillies 2: In Pittsburgh, Barry Bonds broke out of a 3-for-25 slump with a leadoff home run in the first to start the Pirates past Philadelphia. Bonds also scored in the third when he walked, stole second and third and came home on Joe Orsulak's single.

Braves 5, Giants 1: In Atlanta, Dale Murphy hit his 250th major-league home run and Rick Mahler won his sixth straight decision as the Braves ran their wining streak to five straight. Murphy, 30, became the 85th player to reach the 250-homer mark with a solo shot in the third. *(AP, UPI)*

Red Sox: A Possible Finishing Touch

By Thomas Boswell
Washington Post Service

BALTIMORE — Just before 4 A.M. Sunday, a reign of terror broke out at the Cross Keys Inn. A man began telephoning members of the Boston Red Sox in the middle of the night and yelling in their ears.

The culprit was Red Sox Manager John McNamara, one of the most tight-lipped men in baseball. What had him out of his right mind?

"We got Tom Seaver!"

Those were McNamara's words to one Red Sox coach after another. Diagnosis: insanely happy.

Not everyone was delighted, of course. When Don Baylor, judge of the Red Sox kangaroo court, got word that Steve Lyons was dealt for Seaver, he was furious. Lyons, the team's top space cadet, specialized in all the mental gaffes for which Baylor levies $5 fines.

"Trading Lyons took away our major source of income," said Baylor, who is saving the money to throw a team pennant party. "If Seaver's not here by the first pitch today, he's fined. I don't care if he's got to fly all night to get here, I've got to make up the deficit somehow. Reagan has his problems; I got mine."

It's hard to find a Red Sox problem. Unless you count McNamara's bloodshot eyes. By Sunday night, after his club had swept a three-game series from Baltimore and pushed its division lead to eight games, he looked as if he could barely stand. "I slept an hour," he fibbed.

Who needs sleep? Boston is running on high-octane joy. Remember 1918? Seems like yesterday, doesn't it? For any Red Sox follower who is younger than President Reagan, this could be the only season of a lifetime when a World Series flag flies above Fenway Park.

No, it's not too early for fantasy. In the last two weeks, the Red Sox have just about won the American League's Eastern Division pennant. Of course, they may yet find a way to unwin the thing: the schedule-maker insists that July, August, September and part of October be played to conclusion. New England always has thought that a picky codicil. Red Sox teams don't collapse often in the summer heat — not more than five or six times a generation.

But this is no day for Boston doubts. A fortnight ago, the Red Sox had a skinny 3½-game lead on New York, a 4½-game edge over Baltimore and a horde of doubters. They also had three of their best pitchers disabled as they faced a dozen games in a row with the Yankees and Orioles.

"People said we weren't for real," said McNamara.

So Boston started business with a three-game sweep in Yankee Stadium and on Sunday finished its first huge test with another road sweep in Memorial Stadium, where the normally elegant Orioles are in a state of confused self-doubt. Maybe Baltimore Manager Earl Weaver said it best for those chasing the Red Sox: "I'm gonna go home, jump in the damn swimming pool and hope I don't come up."

During the weekend, Boston showed why it is a powerful division favorite. Friday night, before a thunderous sellout crowd, Roger Clemens struck out 11, ignored two home runs by Eddie Murray and ran his record to 14-0, and on Saturday Dennis Boyd got halfway to 20 victories.

But Sunday afternoon was the real eye-opener. Boston sent Jeff Sellers, 0-3 and an unimpressive sidearmer, against Mike Boddicker (10-2). Boddicker was shelled for seven runs, four of them early, and Sellers registered his first major-league complete game. That's what happens in special seasons.

Boston, which won its fifth straight Monday night, doesn't need too much magic. Its lineup contains two batting champions (Wade Boggs and Bill Buckner), three home run champions (Jim Rice, Tony Armas and Dwight Evans) and a most-valuable player (Baylor).

With its best chance at having the league-low for earned-run average since World War I, with pitcher Bruce Hurst returning after the All-Star break, with Armas, Evans and Buckner just starting to get hot with the weather, why is this team so happy to get Seaver?

The answer can be seen on their fingers. Until Sunday, the whole team owned only one ring for being a member of a world champion team (Sammy Stewart as an Oriole). Seaver doubles the total.

Boston reliever Joe Sambito, 34, gave the perfect capsule comment: "We get Seaver. The Yanks don't. I get to play with my idol. And I'm not the oldest pitcher on the team anymore."

The stability and leadership that Baylor has provided all year should be bolstered by Seaver. "He'll be able to help our young pitchers and not step on any toes," said Baylor. "Believe it or not, he'll even help Roger Clemens. Seaver has been through all the wars. He'll have the right word when he [Clemens] finally loses a game or has a problem."

The Red Sox now have only one team motto: Grind everybody to dust.

"This team feels like the early Orioles in '79, when we were hungry," said Stewart. "You get a league lead, tear off your rearview mirror and drive like the Italians. Let 'em look at your smoke. . . . There's not going to be any of this 'Red Sox Curse of September.' It's irrelevant."

It can't help Baltimore's mood to know how its tormentors are using the former Orioles as their inspiration. "In the old Oriole days, they were looking to build a 20-game lead," said Baylor, laughing. "I remember when Weaver pinch-hit Brooks Robinson for Bobby Grich in a game when we were 17 games ahead. It was always 'Add on. Never get swept. Let's go for 20.'"

But couldn't going to the whip so early tire out a pitching staff? "If we're 14 games ahead in August," said Baylor, "I'll pitch."

He probably won't be called upon, now that Seaver's around. A 300-game-winner and three times the recipient of the Cy Young Award, he was to start his first game for the Red Sox Tuesday night against Toronto.

Mark Lennihan/The Associated Press
Tom Seaver, fitting right in.

VANTAGE POINT/Norman Chad

World's Sport an Orphan in U.S.

Washington Post Service

MEXICO CITY — At the World Cup, soccer's most prestigious event, some of the best-known American names helped alter the future of the sport. They are Coca-Cola, Budweiser, Gillette and Camel — among 11 official sponsors of the tournament.

But, except for reporters and some die-hard fans, few were about the only U.S. representatives here. As usual, the U.S. national soccer team sat this one out; Americans have not qualified for the cup finals since 1950.

For the United States, what its team coach, Alkis Panagoulias, calls "the No. 1 human event in the world every four years" has become a major athletic embarrassment.

□

"The U.S.A. is large and filled with superb athletes," said Richard Gough, a fullback for Scotland. "But when it comes to soccer, it has nothing."

"When you think of American soccer, nothing comes to mind, really," said Erik Hyldstrup, general secretary of Denmark's soccer federation. "I cannot think of outstanding individuals or good teams or even a defined style of play."

It must be a source of irritation for the United States. They dominate the Olympics, but in soccer, well, perhaps it is not a country that likes to play soccer. But the Soviet Union is here. Even the small nations from South America do better — Uruguay, Paraguay."

A small Latin nation, Costa Rica, eliminated the United States last summer, 1-0, in a World Cup qualifying match that was played in Torrance, California, before fewer than 10,000 spectators. Many of them were rooting for Costa Rica.

Rick Davis is one U.S. soccer player who came to Mexico for the finals. And he remembers the Costa Rica loss as the low point of his athletic career.

In 1982, Davis was a member of the U.S. team that failed to qualify for the cup. But his disappointment was tempered by the knowledge that the team was not good enough and that he would get another chance.

This time around, the 27-year-old Davis knew the Americans had the ability to qualify from their region, which includes 23 countries in North America and the Caribbean.

To qualify in 1986, the team needed at least a draw against Costa Rica. Davis and Panagoulias were critical of the site the U.S. Soccer Federation chose for the match — Southern California, which has a high concentration of Mexican nationals and Latin Americans.

"Why would you play a Latin American team in that area?" asked Davis, who was here working as a television analyst. "Play it in St. Louis, where you have the die-hard American fan."

Why not play it in Maine or Minnesota?" Panagoulias asked.

Still, The United States was on home turf — but "Very simply, the players did not perform," Davis said, "and Rick Davis is at the head of that list. We had much more ability than Costa Rica.

The loss devastated me. I became a recluse for the first three weeks. That had always been my dream, to represent this country in the cup. There's no greater honor. It seemed like my world had caved in."

For Davis, it might have been his farewell to World Cup competition. He played with the New York Cosmos of the North American Soccer League from 1978 to 1983. He was the league's player of the year in 1979, captain of the U.S. Olympic team in 1980 and best player on the U.S. Olympic squad in 1984.

But with the league's demise two years ago, his only professional option in America is indoor soccer, which little resembles world-class outdoor soccer.

There is no shortage of theories why the United States cannot consistently compete at the top levels of international soccer. Some blame the U.S. Soccer Federation, some blame the quality of coaches at all levels, some blame the fact that other sports take precedence in the national consciousness.

But virtually everyone agrees that the Americans cannot seriously compete with nations such as Brazil and Italy until a professional soccer league returns. The country's top players badly need a competitive outlet.

Panagoulias: "The No. 1 problem is a lack of an outdoor league. We can't do anything internationally without an outdoor league. We are the strongest, richest country on earth and it is unthinkable to me that there is no sponsorship for a league."

As Michel Hidalgo, the former French national coach put it: "The United States cannot think of making up ground internationally until it gets a professional league. And the Americans, for all your size and wealth, have fallen further behind the last few years."

The NASL, which began play in 1968, struggled for years before it folded in 1984. The league suffered from financial mismanagement, and Davis complains the approach taken by most clubs also hampered the development of U.S. soccer.

"Almost every American player who made it in the NASL was moved to fullback," Davis said. "Goal-scoring roles were left to foreign players."

Many NASL teams felt they needed to bring in foreign talent. But aside from a couple of big names such as Pelé and Franz Beckenbauer, most players were unknown to Americans.

Veteran U.S. professional Shep Messing once was quoted as saying, "I was a player and I never heard of half of them."

There is also a feeling that soccer never will penetrate the U.S. sports psyche. A recent Wall Street Journal survey on consumers' leisure tastes listed the top 25 participation sports in America and soccer was not among them. The United States always has loved baseball, football and basketball, and despite the huge numbers of children playing soccer, the sport loses something when those youngsters become adults.

Davis cited another major problem. "Coaches in the U.S. are even further behind in development than the players," he said. "You have players with tremendous ability and coaches are not capable of training them properly. Coaches end up retarding the growth of a player."

□

As a possible solution, Davis suggested a broad campaign: an advertising campaign to educate the public on international soccer, establishment of a stronger national federation and creation of competitive leagues, at every level, that run up to nine months a year.

Panagoulias suggested a sort of national tournament, in which local teams compete in state tournaments, state champions go to regional play and so on until there emerges a national champion that can form the core of a national team.

Even so, there are formidable obstacles.

"First of all, we're not a traditional soccer country," said Paul Gardner, a highly regarded international soccer journalist who moved to the United States from England in 1959. "We don't have a built-in framework of kids growing up seeing the game. Instead, what we do here is overorganized, overcoached soccer. We are not allowing players to develop.

"It's like the East Germans. In terms of athletics, the East Germans are way ahead. They have it down to a science, and they win more Olympic gold medals per capita than anybody. But they never win a thing in soccer and, in my opinion they never will."

SPORTS BRIEFS

Lineker Signs to Play With Barcelona

BARCELONA (Combined Dispatches) — England striker Gary Lineker, the top scorer in the 1986 World Cup soccer finals, has signed to play for Barcelona of the Spanish First Division, club officials announced Tuesday.

They said that Lineker, who scored 40 goals for Everton of the English First Division, had signed for six seasons in a deal concluded in London on Monday.

They refused to disclose the transfer fee, but informed sources put it at about £3 million ($4.6 million).

Barcelona, the losing finalist in last season's European Cup competition, has already signed Manchester United striker Mark Hughes. The team is managed by Terry Venables, an Englishman.

Lineker, 25, scored six goals in five matches at last month's World Cup finals. *(Reuters, AFP)*

AP
Gary Lineker

Cocaine Confirmed in Player's Death

SACRAMENTO, California (AP) — A cocaine overdose triggered a heart attack that caused the death last Friday of Cleveland Brown defensive back Don Rogers, according to a coroner's report.

Laboratory tests of body fluids taken during an autopsy of the National Football League player confirmed the presence of the same drug blamed for the June 19 death of basketball all-American Len Bias.

Sacramento County toxicologist James Beede said that 5.2 milligrams of cocaine were found per liter in Rogers' blood and twice that concentration was found in his brain. Lethal doses of cocaine have ranged from .9 milligrams per liter of blood to 21 milligrams per liter, Beede said.

His finding supported the earlier statement by the pathologist who performed the autopsy that Rogers probably died of cocaine overdose. Rogers, 23, was voted the American Conference defensive rookie of the year in 1984.

Court Denies Oakland in Raider Case

WASHINGTON (AP) — The Supreme Court has ended the battle by Oakland, California, to return the Raiders football team from Los Angeles, rejecting on Monday Oakland's claim of eminent domain over the club.

The court, which previously rejected the National Football League's attempt to halt the 1982 move, acted without comment on the appeal by city officials.

Oakland had contended that the power of "eminent domain," which can allow state and local governments to take private property for public use after paying "just compensation," applied to the football team.

Oakland attorney David Self said the city has exhausted its appeals.

ARTS / LEISURE

Giving France 'Pleasant Fear'

Jazz-Nurtured U.S. Envoy Plans for Artist in Residence

By Michael Zwerin
International Herald Tribune

PARIS — Kenton W. Keith perceives his job as "promoting a clearer view of American culture. Is it a static view? Is it off-base? What should we try to do about it, if anything? What institutions should we work with to promote a clearer view?"

Keith, 46, started work as U.S. cultural attaché in France in July 1985. He describes the French as perceiving U.S. culture with "something of a pleasant shiver. There's a certain thrill they get from American films, say, or jazz. But it's a little frightening to them. So it's a pleasant kind of fear — a pleasant shiver."

Although he conceded that having an Afro-American in a position of such authority and prestige contributes in itself to a positive perception, he pointed out, "It is part of a general racial and geographical opening up that took place in the Foreign Service during the Kennedy administration. Before that, one had to have a certain background, preferably Ivy League. It was a sort of rule of thumb. But I can't just show up to work and say 'Here I am. Look at me, isn't this pleasant?' and expect to accomplish anything."

One of his first projects, now being discussed by the U.S. Information Service in Washington, the French Ministry of Culture and the American Center in Paris, is to establish a "jazz musician in residence" in Paris. Discussions and letters have dealt with problems, advantages, division of financial responsibilities and job profile: "This musician should have academic credentials — the French respect academic credentials," Keith said. "He or she will teach and work with local musicians, learn from local musicians, concertise, travel, learn about French culture. The person should become a central figure on the Paris jazz scene" — which is of course flourishing. One of the musician's jobs for instance, would be to rehearse the Orchestre National de Jazz.

Keith speaks Portuguese, Arabic and French. His previous Foreign Service postings included Turkey, Saudi Arabia, Morocco, Syria, Brazil and Iraq. While in Baghdad in the 1960s he arranged for an American painter to be "in residence" for a year. "He worked with the local painters. In a sense he *became* a local painter. It is very important that such a person be organic. Like an organ transplant or a graft, he can't be rejected by the body. Links were established that survived even after the June '67 war that resulted in a lengthy period of no diplomatic relations. Artists need to be in touch. Their ideas put them in touch and keep them in touch."

Stoking his pipe, Keith paced his spacious, handsome office just off the *Place Concorde.* "This project is bringing back so many memories. My father was a jazz saxophonist" named Jimmy Keith. "Growing up in Kansas City, I used to sit around the old musicians' local on 19th and Highland *listening to his band rehearse. Then* I'd go home and hear my mother, who was a lyric soprano, singing German lieder in the kitchen. 'What does that mean, Mama?' I'd ask her. 'What's that you're singing?' "

He lost contact with the musical part of his life when he went to college. It came back recently when he met the performers in the revue "Black and Blue" in Paris: The violinist, Clande Williams, was a colleague of his father's in Kansas City. And in Nice he ran into the bandleader Jay McShann for the first time since his father's funeral in 1970. And he remembers Charlie Parker.

"Most of my father's friends were men and women of robust humor, great talent — storytellers. There was lots of liveliness and laughter when they were around. But not Charlie Parker. He was a quiet man with a great appetite. I only saw him on Sunday afternoons. I was in my pre-teens. My mother made fried chicken for him. Conversation was always subdued. Our kitchen was a place where he could lean back and be perfectly at ease in a family situation. I think it must have been very important to him. That's the Charlie Parker I remember, the one whose music my father made me listen to. And when I realize how much joy that music gave the world — "

Keith said he found it "relatively easy" to find money on either side of the Atlantic to send a brilliant mathematics or science scholar to some institute of higher education because "the advantages of such exchanges are readily understandable," but "it's a lot more difficult to make it possible for people in the humanities to play a role in the intellectual lives in the opposite country. As budgets are cut, the arts are cut first. So as a cultural attaché I'm beginning to look into an area that is not the traditional preserve of a cultural attaché: private industry. One of my personal goals in the next several months is to interest an American film company to set up a scholarship fund for promising French artists in the visual media.

"Societies which engage in significant educational and cultural exchanges tend to be good markets for each other. A French engineer who has worked in the U.S. or an American businessman whose early years included an educational experience in France will have a natural affinity not only for the culture of those societies, but for their products as well.

"When a young Turkish concert pianist I sent to New York won the Leventritt competition, when I managed to find the financing to bring Sam and Dave to tour Turkey, when I was Benny Carter's host in Damascus, and now as I try to convince officials in Washington and Paris that jazz is a high enough priority to deserve funding, I see my role in a way as protecting the basket-weavers of the world.

"Businessmen are not particularly comfortable discussing the arts. Although it's hard to prove in dollars and cents, we have to convince private industry that there is a bottom line for them supporting exchange programs in the arts. I am convinced, and have been for 21 years, that something really good happens when you can bring about an engagement between two cultures."

Christian Rose

Kenton Keith: Looking to private sector for aid.

DOONESBURY

Grants for 153 Orchestras

The Associated Press

WASHINGTON — The National Endowment for the Arts has announced that 153 symphony and chamber orchestras will share $8.5 million in grants for the 1986-87 season. Seven of the biggest U.S. symphonies — in New York, Boston, Philadelphia, Cleveland, Chicago, San Francisco and Los Angeles — received the largest awards.

Despite Cyd Charisse, 'Charlie Girl' Still Dreadful Kitsch 20 Years Later

By Sheridan Morley
International Herald Tribune

LONDON — Back in about 1965, one of the very first shows I ever had to review professionally in the West End was a dire musical called "Charlie Girl." I reckoned it deserved to last a week and might just survive the month, and I said as much in print. The reason I recall my review was that it was one of the better ones the show attracted at the time, and after the musical had been running for about six years and several thousand performances, some joker sent it back to me with a note about the ultimate futility of being a drama critic and why didn't I take up fortune telling instead.

At the back of my mind was always thereafter a faintly uneasy question: Just supposing all those millions of tour parties were right and I was wrong? Could it be that "Charlie Girl" was really a wonderful show after all? Twenty years on, it is now back in the West End and I have to report in all honesty and conscience that it is not nearly as bad as I first thought. It is far, far worse, a musical of such breathtaking inadequacy that every song and every scene looks as though it has been, *understandably, cut from* a quite different show on tour, then reassembled in no particular order by a mad cobbler.

The writers who first worked on this were an elegant team of drawing-room comedy jokers called Hugh and Margaret Williams. The script was then taken over, after they had given up all hope of ever getting it right, by Ray Cooney, though the original idea (insofar as there was one) belongs to Ross Taylor, and the score is by David Heneker and John Taylor. We name the guilty parties. But the fact that there were about six of them, even before they got to a director or choreographer, already suggests a show in some trouble, and it was only rescued in the first place by Dame Anna Neagle, who, much like the queen mother, took hordes of loyal fans wherever she went, even into somewhere as appalling as this.

The plot is shamelessly lifted from "Me and My Girl" and "Mr. Cinders," but whereas both those musicals had a genuine 1930s innocence and hauntingly good scores, this is a 1960s plastic replica in which all the songs appear to have been designed to be played in airport elevators. Moreover, what was originally not much of a dance show now has as its star the legendary Cyd Charisse, which means that the choreographer, Onna White, has had to build a couple of dance routines, which have no connection to the rest of an already crumbling narrative. One of these, a first-half closer set in front of several fountains, might have looked better if Esther Williams could have been persuaded to do it

THE LONDON STAGE

under water, and although Charisse has kept herself in remarkably good shape since all those Metro musicals of 30 years ago, there is little that a movie dancer can do to aid a show in need of several heart and brain surgeons.

What is so desperately depressing about "Charlie Girl," an evening of gala kitsch lacking only a working replica of the Tower of London in its appeal to audiences who have given up on language or thought, is the money that has gone into its firework-and-fountain gimmickry, and the apparent belief that if you line up a lot of well-loved and familiar faces (Paul Nicholas, Dora Bryan, Nicholas Parsons), audiences will turn out to gaze at them as if on an outing to Madame Tussaud's. Only Mark Wynter has the sheer period bravura courage to bulldoze through the score *as if it consisted of halfway* adequate songs, while in the title role a young and promising Lisa Hull stands around looking justifiably as though she hopes this first major appearance will not be held against her forever. The rest of the *cast save themselves as best they* can: Parsons takes to roller skates, Bryan to the xylophone, and the chorus to the very back of the stage whenever possible.

"Charlie Girl" is a musical by people who have never understood *musicals, and a show for audiences* who never usually go to a theater. It may well survive another five years, but that doesn't make it any good, or anything less than a disgrace to a theater city that has learned how these things ought to be done. *What is going on at the Victoria* Palace is not so much a revival as a disinterment. The reason no critic has ever been able to kill "Charlie Girl" is simply that it was dead long before it ever got to a first night.

□

At the Fortune, Roger Rees is star and co-author of "**Double Double,**" a thriller that, while failing to live (or die) up to the "Sleuth" it challenges, manages one or two stylish shocks. Ever since the Anthony Shaffer hit of 15 years ago, all bodies have been banished from the library, the butler is no longer allowed to do the terrible deed or indeed even make an appearance with the sherry, and the whole complicated machinery of the snobbery-with-violence thriller has been economically pared down to such an extent that we never even get to meet the reassuring detective-inspector in the last act.

Sure enough, Rees and his co-author have limited themselves to the ritual two games-playing characters — a wealthy widow played as splendidly high camp by Jane Lapotaire, and a tramp who so resembles her late husband that he can claim the inheritance. Things do not of course go according to plan, however, and as the plotting falls apart we are left with a couple of flamboyantly starry players desperately trying to conceal from the audience that they have lost the play somewhere along the way to its fudged conclusion. But even Agatha Christie and Edgar Wallace never tried their luck with just two characters. The sooner thriller writers learn that "Sleuth" was not the only way of playing the murder game, the better our chances of getting some real excitement back into a moribund format.

□

At the Royal Court Upstairs David Mamet has two new one-act plays, both concerned with tricks of the memory. "**Prairie du Chien**" is essentially a ghost story, told late one night in 1910 to listeners in a railroad parlor car crossing the Midwest, and concerned with bodies in a burning barn. "**The Shawl**" is a psychic tale about a phony mystic who suddenly finds that he has a real power of clairvoyance. In both plays, David de Keyser and Michael Feast (joined in the first by Nigel Terry and in the second by Connie Booth) give performances of considerable power in productions by Max Stafford-Clark and Richard Eyre. If you think of Mamet as the quickfire slang merchant of "Glengarry Glen Ross" and "American Buffalo," these infinitely more gentle, laid-back, poetic tales of the unexpected suggest a writer of remarkable versatility and confidence in an altogether different area of stage narrative.

Hotel Is World's Tallest

Reuters

SINGAPORE — The 73-story Westin Stamford Hotel opened here Tuesday with a citation from the Guinness Book of Records as the world's tallest hotel. The 742-foot (226-meter) cylindrical hotel designed by I. M. Pei, is 19 feet taller than the previous record holder, the Westin Peachtree of Atlanta, Guinness officials said.

Tuesday's NYSE Closing
Via The Associated Press

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
BellSou	42758	63½	62¼	62½	— ¼
UCarb s	32645	23⅛	21¾	23	+1⅞
Sandr	21534	53⅞	53	53¼	
MidRos	21467	28⅝	28¼	28⅛	+6⅞
IllPowr	20521	27⅛	26⅞	27	+ ⅛
IBM	17497	148⅝	146⅛	148⅝	+2⅛
AetnLf	15579	61⅞	60¼	61⅞	+ ¾
MonPw	14592	38⅝	38¼	38⅜	— ⅛
PanhEC	13978	48⅛	46½	47½	— ⅜
CocaCl s	13316	43⅞	43	43⅞	+ ⅝
USSteel	12887	21⅛	20⅝	20⅞	+ ⅛
AmMot	11127	4⅝	4¼	4⅝	+ ⅛
AT&T	10736	25⅝	25⅜	25⅝	
Schlmb	10700	34⅛	33½	33⅞	— ½
PhilPet	10656	9¾	9½	9⅝	

Dow Jones Bond Averages

	Close	Ch'ge
Bonds	90.81	+0.31
Utilities	91.35	+0.45
Industrials	90.26	+0.16

Market Sales

NYSE 4 p.m. volume	147,670,000
NYSE prev. cons. close	159,834,320
Amex 4 p.m. volume	13,530,000
Amex prev. cons. close	13,530,000
OTC 4 p.m. volume	122,844,900
NYSE volume up	78,454,410
NYSE volume down	51,820,720
Amex volume up	5,204,855
Amex volume down	4,424,400

NYSE Diary

	Close	Prev.
Advanced	895	1033
Declined	661	568
Unchanged	437	379
Total Issues	1993	1980
New Highs	155	145
New Lows	20	18

NYSE Index

	High	Low	Close	Ch'ge
Composite	144.68	144.06	144.68	+0.72
Industrials	167.19	166.40	167.19	+1.06
Transp.	120.16	119.57	120.09	+0.08
Utilities	73.75	73.75	73.75	+0.03
Finance	156.35	155.97	156.32	+0.48

Odd-Lot Trading in N.Y.

	Buy	Sales	*Sh'rt
June 30	253,983	494,255	3,742
June 27	232,780	456,510	37,642
June 25	244,221	517,313	54,205
June 24	282,418	506,884	68,993
June 23	338,671	495,518	34,381

*Included in the sales figures

Dow Jones Averages

	Open	High	Low	Last	Chg.
Indus	1889.76	1911.28	1878.52	1903.54	+ 10.82
Trans	783.38	788.00	775.50	781.85	— 0.87
Util	199.44	200.87	197.48	199.55	— 0.55
Comp	724.11	732.83	720.46	728.85	+ 1.87

AMEX Diary

	Close	Prev.
Advanced	327	322
Declined	258	261
Unchanged	257	255
Total Issues	842	838
New Highs	40	39
New Lows	7	9

Standard & Poor's Index

	High	Low	Close	Ch'ge
Industrials	281.49	279.51	281.49	+1.71
Transp.	203.21	201.65	202.90	+0.20
Utilities	111.67	111.06	111.42	—0.25
Finance	29.87	27.69	29.83	+0.08
Composite	252.04	250.53	252.04	+1.20

NASDAQ Index

	Close	Ch'ge	Week Ago	Year Ago
Composite	407.61	+2.10	398.92	296.91
Industrials	411.45	+1.70	404.05	304.00
Finance	547.55	+3.60	532.44	380.20
Insurance	454.82	+2.10	446.31	351.42
Utilities	356.51	+4.65	344.90	294.98
Banks	452.29	+1.84	440.72	291.64
Transp.	362.79	—0.13	363.02	264.35

NASDAQ Diary

	Close	Prev.
Advanced	1,199	1,226
Declined	940	880
Unchanged	2,171	2,203
Total Issues	4,310	4,309

AMEX Most Actives

	Vol.	High	Low	Last	Chg.
BAT	9726	6⅞	6⅝	6⅞	+ ⅛
Wickes	6481	6⅛	5⅞	6	— ⅛
AM Intl	5908	7⅛	6⅞	7	— ⅛
LorTel n	4190	30⅞	28⅝	29½	—1⅞
MacGrg	4134	18⅞	15⅝	17⅞	+2⅜
Farly pf	3932	23¼	22⅞	23⅛	
WangB	3214	15⅝	15⅛	15⅜	+ ⅛
FAusP n	3177	8⅝	8⅜	8½	— ⅛
PhilLD	1816	7⅝	6½	7⅛	+ ⅝
HmHar	1759	13¼	12⅞	13⅛	+ ⅛
HmeG n	1735	27⅛	26⅝	26¾	+ ⅛
TexAir	1492	33⅜	33	33⅜	+ ⅛
TIE	1449	6⅛	5⅞	6⅛	+ ⅛
WDigitl	1376	13⅝	13	13⅛	— ⅛
BergBr	1321	24⅝	24¼	24⅝	+ ½

AMEX Stock Index

High	Low	Close	Ch'ge
284.94	284.12	284.67	+0.47

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Dow Index Closes Above 1,900

Compiled by Our Staff From Dispatches

NEW YORK — Prices were higher at the close of the New York Stock Exchange Tuesday as the Dow Jones industrial average finished above 1,900 for the first time. Trading was active.

The Dow rose 10.82 to close at 1,903.54, after rising 7.46 to 1,892.72 on Monday. Advances led declines by a 4-3 ratio.

Volume was 147.67 million shares, compared with 135.13 million on Monday.

Talk of a cut in the discount rate, merger speculation and a late rise in IBM helped push the Dow through the 1,900 mark, two months and 11 days after closing at 1,800 for the first time.

The previous two milestones — 1,700 and 1,800 — fell much quicker, each topped in 21 days. The average has risen from 1,300 in a rally that started last September.

"The expectation is that a discount-rate cut is imminent," said Monte Gordon of Dreyfus Corp. "Previously, the feeling was the Federal Reserve might do it, but not right away."

He noted that anticipation of lower rates has been pushing stocks higher. Adding to expectations was a lackluster index of U.S. leading indicators, up 0.2 percent in May for the smallest gain since January.

Laszlo Birinyi of Salomon Bros. said he expected the rally to continue to 2,000 "based on a continuation of the same factors" that have helped it from the 1,300 level.

"It would be foolhardy to say this rally won't go through 2,000," said Mr. Gordon. A further lowering of the discount rate could trigger some profit taking by traders. But investors then may begin to concentrate on chances of an economic recovery, with the help of lower interest rates.

"The market continues to be driven by interest rates," said Anthony Woodruff of Kidder Peabody. Strength was seen in interest-rate sensitive and consumer-oriented issues — food, beverage, tobacco and drug stocks — segments that have been most consistent since the start of the rally.

"The game plan has worked all along, and it's going to continue to work," Mr. Birinyi said. "I don't see why those things that have been strong couldn't do even better, and you may see the high-tech and basic industry stocks kick in too."

Leading the actives a second day was BellSouth, down ¼ to 62½. Midland Ross was the biggest gainer on a percentage basis, up 6⅞ to 28½. It agreed to a leveraged buyout with Forstmann Little, but speculators bet on a stronger offer, even though analysts said $28 was "a fair price."

Among technologies having late flourishes, IBM jumped 2⅛ to 148⅝, and Digital Equipment 2¾ to 88½.

Among blue chips, McDonald's climbed 2¾ to 75⅞, Procter & Gamble 1½ to 81⅞ and General Mills 3¼ to 86¼.

Union Carbide gained 1⅞ to 23. Morgan Stanley issued a buy recommendation on the stock. Carbide on Monday completed the sale of its battery products division to Ralston Purina.

Drug stocks again were stronger, with Merck advancing 1⅛ to 105⅞. Among interest-rate sensitive stocks, Marsh & McLennan rose 3 to 62 and Wells Fargo 3¾ to 110.

(Reuters, UPI)

(Continued on Page 14)

INTERNATIONAL
Herald Tribune
Published With The New York Times and The Washington Post

BANKING AND FINANCE IN LUXEMBOURG

A SPECIAL REPORT — PART I

Part II Will Appear In Tomorrow's Edition

WEDNESDAY, JULY 2, 1986

Diversification of the Banking Sector Is Beginning to Pay Off

By Vivian Lewis

PARIS — Luxembourg's strategy of diversifying its banking system away from the Eurobond business and into private banking is beginning to pay off. But it is still too early to project the extent to which this very successful offshore center can continue to attract finance and investment business from a bank market that is increasingly global.

In early June, the first recent primary stock market listing for an international company in Luxembourg has been exciting its Bourse. The new Merrill Lynch-underwritten issue is for a share quoted nowhere else, the British-incorporated Euromoney Publications.

But even the people behind the new issue are not trying to pretend that it marks a revival of listing on the Luxembourg stock exchange, hitherto used by local companies and investment firms for secondary trading in foreign shares of firms that issued convertible Eurobonds. Euromoney's managing director, Padraic M. Fallon, said, "Our listing in Luxembourg rather than in London was done for the sake of our international image."

Luxembourg is becoming a mutual-fund center, too. The value of funds under management rose from 398 billion Luxembourg francs ($8.75 billion) at the close of 1984 to 632 billion at the end of 1985 (a 59-percent jump), while the number of funds grew from 176 to 213. But in practice, this investment management business is usually run out of the home country of the fund managers, not from Luxembourg, which is only acting as a domicile for tax purposes. The investment decisions are made elsewhere.

While Luxembourg bank profitability is up, this may only reflect the fact that almost all country-risk bank Euroloans have already been provisioned with money deductible from before-tax profits.

More significant is the source of profits. As a share of gross banking results, the interest-rate business of Luxembourg banks is declining, although it still accounted for 81 percent last year. (It was 87 percent in 1984, an exceptional year.) Commission earnings (triple what they were in 1980) and foreign exchange fees are rising to a more important part of banking margins. The data indicate the increased importance of Luxembourg as a private banking center for the general public.

Luxembourg has not been able to meet the needs of commercial bankers. Jean de Rocquefeuil who heads International Bankers Inc.'s head office in Luxembourg, said that his bank, started up by a group of French managers after their former banks were nationalized, picked Luxembourg because there was no real alternative. Because their funding came from Saudi financier Akkram Ojjeh and other Middle East investors, they were banned from starting up in Switzerland; in London, getting a license would have taken two years.

"We came to Luxembourg because it was our only opportunity," he said. "But it has not been paradise for our kind of commercial banking business." While he had nothing but praise for "the quality of Luxembourg's welcome," his opinion was "more *nuancée* about the capacity of Luxembourgers to handle credit and finance for international trade," IBI's main line of business.

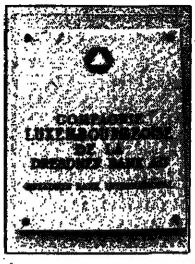
So far, the latest large bank to start up here for trade finance, PB International Bank S.A., a subsidiary of Prudential-Bache Trade Corp., reports no such problems. But this is perhaps because of its brokerage link.

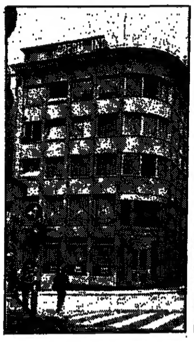
At archrival Merrill Lynch, too, there are those like Luxembourg manager Kaye Wiltshire, who feel that "private client business is pushing us into banking," although Merrill has no plans to open a Luxembourg private bank in the near term.

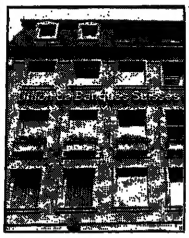
Luxembourg private banking appeals to a different sort of clientèle than would be found in Switzerland, which is why there are now Luxembourg banking subsidiaries of such leading Swiss institutions as Banque Leu, Crédit Suisse, Swiss Bank Corp. or Union Bank, and branches of Banque du Gothard, Banque Privée or Banco di Roma per la Svizzera. Swiss Volksbank, however, has closed down its Luxembourg operation.

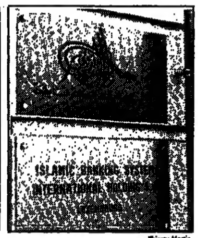
Banks from other countries with extremely liberal exchange laws also find Luxembourg a useful place to hang up their shingles. It was something of an accident that the first wholly owned Dutch bank set up in Luxembourg last year, a subsidiary of AmRo Bank. Pierson, Heldring, another Dutch bank, has long had a Luxembourg joint venture. And there are rumors that another Dutch bank will open its doors in Luxembourg, along with the first British bank.

There are advantages to these banks of drawing unglamorous, low-key private client business in Luxembourg, even if they already do private banking in Switzerland or the Channel Islands or Curaçao. For many Europeans from neighboring countries or expatriates with a modest amount of money that they would like to hide from the tax inspector, Luxembourg is in reach, as Luxembourg banks will welcome them even if they only have the equivalent of $25,000 to invest — and they will take any currency for even short terms. There is no capital or earnings tax as in rival havens, there is no stamp duty as in Jersey and there is no anti-capital-inflow withholding tax (35 percent in Switzerland.)









Thierry Martin

A modest amount of money can be intelligently and profitably managed by the simple device of pooling it with that of other small account-holders with the same investment goals. This is off-the-peg private banking, not made to order. It is aimed, to quote Luxembourg Banking Commissioner Pierre Jaans, architect and chief regulator of the system, "at a second-tier private banking clientele." But he is convinced that "we are talking about a huge potential market." He said, "We are offering a diversified portfolio on a standardized basis, a cocktail of four or five funds for the smaller, but still sophisticated Euroinvestor."

Helping that Luxembourg business grow is the relative loss of appeal of merely buying a Eurobond and clipping the coupons without paying tax on them — the original Luxembourg specialty — in a period when interest rates are falling and the capital value of money invested in bonds is shrinking as a result.

"To make money today, even the proverbial Belgian dentist has to diversify into the equity markets," said Euromoney's Mr. Fallon. (The Belgian dentist is the mythical buyer of Eurobonds, the original Luxembourg client.)

The Luxembourg stock market, founded in 1929, only got going with the rise of Eurobond dealing in the early 1960s. Depending on how you define a Eurobond, the first probably was the January 1961 syndicated issue for Sacor of Portugal, which was denominated in European Units of Account (a composite currency, predecessor of the ECU, the European Currency Unit) to the value of $5 million. It was listed on several European stock exchanges: Brussels, Zurich and Luxembourg.

Today, the advantages of a Luxembourg listing (even if, as then, there usually are other stock exchanges handling the same paper) remain considerable. The Luxembourg stock market official price list currently runs to 45 pages, quoting 3,700 securities, about 80 percent of them Eurobonds.

According to the Luxembourg Monetary Institute, a substantial number of Eurobond issues last year included Luxembourg banks among the syndicators — 25.2 percent compared with 23.4 percent in 1984. In fact, the presence of Luxembourg banks in syndications has not been this high since 1977.

Similarly, last year also saw recovery of Luxembourg Bourse quotations of new Eurobond issues. Their proportion of the action rose to 63.1 percent compared with 57.3 percent in 1984, levels that had not been seen in the Grand Duchy since 1976.

Building on a tradition that goes back to Sacor, it was in composite-currency issues (units of accounts, special drawing rights and, above all, ECUs) that chances of a Luxembourg quotation for the issue was nearly 100 percent and a strong Luxembourg banking presence in the syndication was likeliest. Only in one single-currency part of the Eurobond market is Luxembourg's stock market as significant as with multi-currency issues: that of Euro-French francs.

Luxembourg commission rates are high and tend to displace large institutional trades to other stock markets, a matter that probably will result in a reform of the fee structure later this year. But in the interval, Luxemb[ourg] has reinforced its role as the spec[ialist] for the odd-lot bond trade. This ki[nd of] trade fits in with the country's appe[al to] the smaller private banking custome[rs].

And Luxembourg's ECU speci[aliza]tion draws to its market many trad[ers in] the European Community's comp[osite] currency, which is now the fourth [most] important currency in the Euroma[rket] after the dollar, the Deutsche mark [and] the yen. Europeans who buy bonds[,] often attracted by the ECU, w[hich] spreads the risk among a basket of [cur]rencies; they are the same people [who] may hop over to Luxembourg for t[heir] private banking needs.

Further reinforcing the specializa[tion] is Luxembourg's reputation for s[ound] banking and respectability, which [may] not always be wholly deserved.

Mr. Jaans, the banking regulator[, ad]mitted: "We were lucky in the Am[bro]siano affair. Roberto Calvi never a[pplied] for a banking license in Luxembo[urg] and up until perhaps 18 months be[fore] the end, there would have been no [rea]son not to grant him one." It was Calvi's disgrace and the discovery [of his] body hanging from a London b[ridge] that resulted in major losses fo[r the] international banking commu[nity,] which had accepted Ambrosiano [pa]per, and a shakeup in international [regu]latory demarcations.

These days, the banking regulat[ors in] Luxembourg are adding still more [con]trols to prevent potential problem[s and] add to the reputation of Luxembou[rg as] a safe banking center.

A new and more coherent bank [regu]latory code has been passed. It a[llows] more Luxembourg supervision of p[arent] banks' consolidated accounts wh[ile at] the same time accepting more sta[ndard] audits from the banks' home cou[ntry.] This combination of rigor and re[ason]ableness is typical of Luxembourg b[ank]ing supervision.

Another new law dispenses bran[ches] of foreign banks from meeting [the] rules on solvability and risk coverage[, on] condition that Luxembourg recogn[izes] the value of guarantees given by [the] parent bank and the regulatory auth[ori]ties of its home country. These [new] changes enable Luxembourg branc[hes] of West German banks to consolid[ate] Luxembourg operations with those [of] the parent to calculate prudential ra[tios] under the revised German Banking [Act,] while maintaining the attractions [of] continuing to operate over the bor[der.]

(Continued on Page 12)

Deutsche Mark Regains Place As Leader of Eurolending Market

By Edward Roby

LUXEMBOURG — The Deutsche mark recaptured its leading role in the Luxembourg financial center from the U.S. dollar last year, but the dominant group of 29 West German banks is keeping a lower profile.

After stalling at a level of about $84 billion for a couple of years after the international debt crisis stunned the Eurolending market in 1981 and 1982, the combined foreign credit volume of the 118 Luxembourg banks surged ahead again in 1985 to an estimated $100 billion.

The 29 West German banks operating in Luxembourg at the end of 1985, however, accounted for only about 42 percent of the total Luxembourg banking assets of about $146 billion, according to the Luxembourg unit of Dresdner Bank. Just two years ago, the balance-sheet totals of the West German contingent made up over half of the center's total banking assets.

"The German banks on the whole have been treading more lightly in the Euromarket," said Ekkehard Storck whose Deutsche Bank Luxembourg unit trimmed its assets by nearly 16 percent last year in a deliberate policy shift toward conservatism, especially in lending.

"No doubt about it," said Volker Burghagen, director general of Dresdner Bank's Luxembourg unit. "The others have caught up and have achieved an appropriate level. That 50 percent we had in years past was pretty high."

Mr. Burghagen said the German banks were first to set up shop in Luxembourg, built up their volume rapidly with the recycling of petrodollars in the past decade and reached their goals. Lately, he said, the Scandinavians, which form the second largest contingent with 16 banks, and the Swiss, with seven banks, have been more aggressive. The interbank business among the Luxembourg banks has also risen.

Lest anyone conclude from mere balance-sheet assets that the Germans may have lost the golden touch, Deutsche Bank has owned up to steady operating earnings of 300 million Deutsche marks for 1985 in Luxembourg, and Mr. Burghagen said his bank increased its operating earnings last year to 280 million marks despite unchanged assets.

Both Mr. Storck and Mr. Burghagen said they believed the 1985 results could be matched again this year.

Indeed, profitability seems to be one of the few constants in the Luxembourg financial center as the banks try out different strategies to tap cheaper refinancing sources and replace their slumping Eurolending business. The center's average yield on assets after touching a high of 1.1 percent in 1983 and retrenching to 0.98 percent in 1984 was back over 1 percent again last year, a couple of leading bankers said.

Many banks have posted handsome profits from trading in currencies and securities. Some replaced their lost lending business with 2- to 3-year, high-yield bonds that provided a bonanza when interest rates fell.

Export financing for West German industry accounted for a rising share of the credit volume of the German banks. Luxembourg remained the premier Euro-Deutsche mark center and improved its share of the overall Euromarket assets slightly to 9.5 percent, putting it again in

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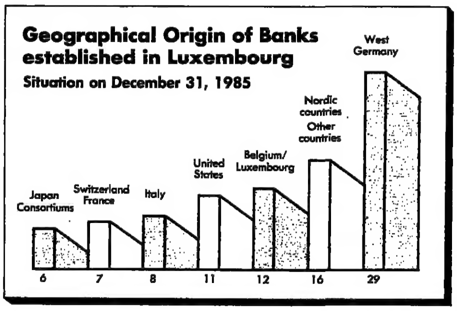


TOMORROW

SPECIAL REPORT ON LUXEMBOURG

Nordic Banks a Vital Tie For Scandinavian Firms

By Errol G. Rampersad

LUXEMBOURG — Bankers be generous at times, and the ndinavian bankers in Luxemrg have played an important in the past decade in helping individuals from the north, be the placing of money, raising is or easing the difficulties of ange controls.

Norwegian, Swedish, Danish Finnish bank directors all talk heir willingness to help the afnt Scandinavian living abroad. y are in Luxembourg also to corporations achieve a "highprofile.

he choice of Luxembourg by ndinavian banks was governed only by the flexibility of the l banking laws but also by the nd Duchy's geographical posi-, which facilitates access to the or European subsidiaries of ndinavian corporations.

rans Henrik Kockum, deputy aging director of Svenska Hanbanken S.A., said: "Our main vity here is to serve subsidiaries candinavian industries, notably dish industry, which by defini is more multinational than the rs. There are some 600 daughcompanies within four hours' e of Luxembourg in West Gerhy, Benelux, Switzerland and nce. Bankers from here move, I can be in Frankfurt or Paris ree hours or in Hamburg in six. Just look at the figures; 60 perof Scandinavian exports go to area. We are in the middle of million people here. When you this kind of situation, there t be banking business."

The private banking side is ving," Mr. Kockum added, "algh not so rapidly. Scandinas move out to countries where e are fewer regulations. You them all over."

here is less inflow of funds into den. The export industries are g very well and there is hence need for external capital. How-, the extremely high liquidity ns there is a constant eye open export possibilities.

candinavian industry has come ly on the facilities provided by "home town" banks. There are v 16 Nordic banks in and und the Boulevard Royale and northerners are the second larggroup after the West Germans h their 29 banks.

venska Handelsbanken, among largest in the Nordic continl, has been in the Grand Duchy almost 10 years, employs 40 people and has just changed buildings. Profits? "Definitely so," Mr. Kockum said. "We are keeping the mother company happy."

Ole Aamodt, director of the Norwegian Den norske Creditbank (Luxembourg), said that all four Norwegian banks in Luxembourg are profitable. while Kai Suomela of Finland's Kansallis International Bank declared himself "quite confident" about the future. He added, "We are definitely here to stay."

'We are in the middle of 300 million people here. When you have this kind of situation, there must be banking business.'

Kansallis arrived in Luxembourg during the 1975-1978 boom period for Luxembourg banking and is celebrating its 10th anniversary like many of the Nordic banks. It set up because of difficult foreign exchange regulations at home and has been organizing loans for Finnish customers, which include the top 200 industries in Finland, notably in wood and metal. Last month Kansallis organized an issue of 600 million Luxembourg francs ($13 million) for Enso-Gutzeit, the state wood and metal concern, which had an attractively low interest rate of 7¾ percent.

Finnish exchange regulations are now more liberal and Finnish bankers such as Mr. Suomela are touring this core area of European industry, visiting Finnish subsidiaries, financing trade with Finland and often concentrating, as in Mr. Suomela's case, on West Germany, "the most important, most open and most straightforward market."

There are some special Finnish angles to the banking and finance business, including the stake taken by Rauma-Repola, the private industrial group, in Hydrolux, the local manufacturer of high-technology hydraulics systems for forest machinery, and the interest among West German investors in particular in Finnish shares and bonds. These have risen considerably in the past year and have attracted investors in the range of 300,000 to 500,000 Deutsche marks ($135,000 to $230,000).

Kansallis, which has rebuilt its headquarters in Luxembourg and which is expanding its staff, is nevertheless smaller in terms of assets and staff than Union Bank of Finland International, which is at the top end of the Nordic banks' assets table, ranging from 50 billion to 100 billion Luxembourg francs ($1.02 billion to $2.04 billion).

Aside from their 10th anniversary gathering, the Nordic bankers meet at least once a month in the Nordic Bankers Forum, where the unofficial director of the day is determined on a rotation basis. One of them said: "We discuss tax problems and naturally how to lower tax rates. We can exert pressure as a group."

The Luxembourg regulatory authorities are open to suggestions and it is likely that the country's enviable budget surplus will lead shortly to tax reductions for the Grand Duchy's banks.

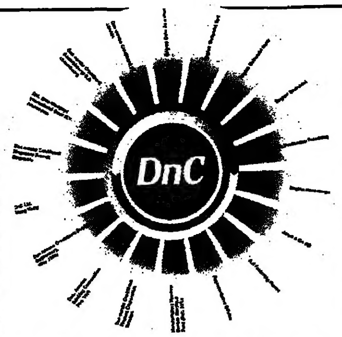
Henrik Jakobson's Provinsbanken is one of five Danish banks, a group that includes Privatbanken International (Denmark) and Den Danske Bank International S.A. Provinsbanken combines commercial banking with private banking for Danes living outside of Denmark. Danish exchange regulations are strict and Danish banks are not allowed to borrow abroad and lend to companies in Denmark.

Den norske Creditbank has set up a Norwegian network based on its Luxembourg bank with a subsidiary in Amsterdam, representative offices in Rotterdam and Hamburg and a good slice of the DnC shipping business. DnC also has relations with companies in the gas business and is expected to benefit from the new megacontracts in gas between Norway and various European countries.

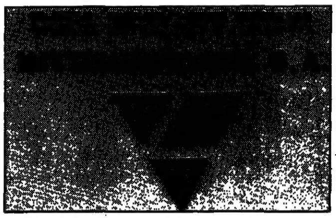
DnC's many activities — foreign exchange and securities, funds management for Norwegians and non-Norwegians, trading in European Currency Units — gave it an operating profit of 850 million Luxembourg francs before taxes last year as well as the ability to pay a 14-percent dividend.

In the footsteps of the banks came the big Swedish industrial groups, which chose Luxembourg as the best center for their insurance business. Firms like Electrolux have centralized their group insurance — and the cash linked to that business — in the Grand Duchy.

The Scandinavians are definitely holding their own with the West Germans on Boulevard Royale.



Svenska Handelsbanken S.A.



Bankers, So Far, Not Worried By Stricter West German Law

By Edward Roby

FRANKFURT — The new German banking act that extends exposure limits to the offshore lending units of domestic banks could have a potential impact on the growth of the Luxembourg financial center.

But leading West German bankers in Luxembourg say the revised banking oversight law has not been much of a problem for them so far because Eurocredit demand is weak, lending officers have become far more choosy about potential borrowers and high earnings have been available to buffer risk reserves and equity capital.

Another reason is that the West German banks, which dominate the Euromarket in Luxembourg, have been given a comfortable 5½-year grace period in which to adjust to the new exposure rules, and the leading Luxembourg subsidiaries say they are easily meeting their phase-in targets.

West German banking regulation had previously imposed an 18:1 assets-to-equity ceiling on the individual domestic banks. But the revised law that took effect Jan. 1, 1985, effectively extended this ceiling to offshore subsidiaries by requiring the banks to disclose consolidated balance sheets incorporating all of their global operations.

The regulatory crackdown, which had been contemplated since the Luxembourg Eurolending business exploded into double-digit growth in the late 1970s, was finally triggered by the near-collapse in 1983 of Schroeder, Muenchmeyer, Haengst und Co. This private Hamburg bank was pushed into insolvency by the bankruptcy of a single corporate client to which it had made large loans through its Luxembourg subsidiary.

Because of the primary role of Eurolending in Luxembourg, the revised German banking act in a certain sense "could also inhibit growth in Luxembourg," Ekkehard Storck, managing director of Deutsche Bank Compagnie Financière Luxembourg, said at a recent news conference of the Luxembourg Banking Association. "The narrower definition of lending applicable in the federal republic will therefore restrict the activities of their [German banks] offices in the Grand Duchy."

In late April, Mr. Storck's bank published 1985 results showing that, while satisfactory earnings were maintained, balance-sheet footings plunged by 15.9 percent to 26.2 billion Deutsche marks ($11.9 billion) from about 31 billion marks in 1984. This reflected a drop in credit volume, still 80 percent of the balance total, to 20.9 billion marks from 26 billion marks the previous year.

Practically all of the year's profit of 36.4 million marks was placed in reserve to strengthen the bank's equity capital base. The bank said only about half of this striking decline in business could be explained by the turnabout in the U.S. dollar exchange rate. The rest, it said, was the result of a deliberate policy decision to proceed more cautiously.

The revised German banking law, Mr. Storck said, is "one of many reasons we have been holding back."

The stockpiling of reserves, wariness of the innovative new financing instruments and increased selectivity in the long-term lending business reflected this conservative strategy.

"When we extend a loan," he said, "we are critical. We ask whether it will be paid off."

Mr. Storck said the bank is still very much oriented to the lending business but that consortial credit has lost some of its overriding significance while export financing for German industry through Luxembourg Eurocredits has grown in importance. He said his bank extended 7 billion marks in short-term credit to West German borrowers.

"The German banks are clearly more reticent in the international credit business because of the decline in margins and also because of the risk," Mr. Storck said.

Ulrich Damm, managing director of Luxembourg's Commerzbank International, said he thought the potential impact of the German law was mainly a "theoretical consideration" because balance sheet growth is not a priority in Luxembourg.

"The consolidation of balance sheets and the application of exposure ratios presents no problem anymore," Mr. Damm said.

He pointed out that good earnings have permitted the German banks in Luxembourg to build adequate reserves and boost equity capital. Last year's earnings, he said, generally exceeded 1984's by more than 20 percent.

Mr. Damm's bank reported that 1985 was its most successful year with a 10.6-percent increase in total assets to 16.1 billion marks from 15.1 billion marks in 1984 and a notable rise in operating earnings.

"If your balance sheet volume expands, you must expand your owned capital," he said. "Our capitalization gives us the ability to maintain the exposure ratios."

Volker Burghagen, managing director of Compagnie Luxembourgeoise de la Dresdner Bank, said that the equity basis of the group of 29 German banks has risen so much in the past couple of years that they now have greater freedom of action, even with the 18:1 solvency ratio.

For 1985, Mr. Burghagen's bank reported practically unchanged assets of 2.9 billion marks along with "particularly encouraging" earnings that were placed in reserve. The bank said its credit volume of 10.2 billion marks amounted to just 41.1 percent of the balance-sheet total and that securities trading and better interest return were mainly to thank for the improved earnings.

The Dresdner Bank unit also noted that its equity capital amounted to 4.1 percent of its total liabilities, well above the Luxembourg legal floor of 3 percent, and that its liquidity quotient of 61.9 percent compared with the recommended minimum of 30 percent.

Mr. Burghagen conceded that the banking community had feared while the German oversight revision was still under discussion that it would restrict the credit management of the banks. "The world has changed quite a bit in the meantime," he said, "and not just in Luxembourg."

Global credit demand is down and bank earnings have been excellent in the past couple of years, he said. Everyone has boosted capital.

Mr. Burghagen said the requirement for balance sheet consolidation does not mean the 18:1 solvency ratio must be applied equally by the parent bank to each of its subsidiaries. The banks, for example, could comply by curtailing lending elsewhere to preserve leeway in Luxembourg where credit to nonbanks is substantially higher than the norm.

Under German banking regulations, assets are weighted according to quality so that credit extended to a West German government entity would not count at all against the lending institution. Credit extended to a domestic bank, for example, would be weighted 20 percent while loan to foreign banks would be valued at one-half.

"In Luxembourg, we are well within the limits," Mr. Burghagen said.

Flexibility, Respectability Lure Holding Companies

By Alan Tillier

LUXEMBOURG — Holding companies established here appear in the chapter between Guernsey and Panama in "confidential" newsletters devoted to tax havens.

A banker on Boulevard Royale, the local Wall Street-Threadneedle Street, said the Grand Duchy should not really have a place in such literature. "The reality here is quite different," he said. "Luxembourg is not a tax haven; it is at most a tax shelter. A Luxembourg holding company is indeed exempt from income tax; it is, however, subject to strict legal requirements regarding, among other things, assets it may hold, transactions it may carry out, lending and borrowing ability, reporting obligations."

These legal requirements account for the low number of Luxembourg holding companies, low by the standards of the big tax havens. The names are not pinned on farm doors, as in Liechtenstein. They are domiciled with banks, notably Banque Paribas (Luxembourg) SA.

There are around 6,000 holding companies in the Grand Duchy, ranging from the very big to the very small. The latter category, with capital of 2 million to 3 million Luxembourg francs ($44,000 to $66,000), make up four-fifths of the total. The remainder, however, account for 80 percent of the total capital.

The big holding companies are interested principally in "storing" reserves by accumulation of income and capital gains. They want flexibility within Luxembourg-style respectability. The slip that allowed the registering of Bank Ambrosiano Holding, thus bringing together the words bank and holding, is unlikely to be repeated.

Jean Pierson, Paribas's deputy director who handles the management of major private accounts and funds, said reliability and expertise were the two main attractions of Luxembourg both for tax-free current accounts and holding companies.

"Take the Arabs, the Khashoggis and Pharaons, who came here after the oil price boom," he said. "They didn't come for fiscal reasons, but for handiness. And the honorability that I think distinguishes us from certain exotic financial centers. There's also very strict confidentiality here."

The Arabs didn't come for fiscal reasons, but for handiness. And the honorability that distinguishes us from certain exotic financial centers.

Luxembourg's holding-company law dates to 1929. It defined a holding company as one formed for the "sole" purpose of acquiring participations and administering them and not for engaging in industrial activities.

The 1929 legislation was fiscal in character and did not stipulate a specific legal form for holding companies. Generally, the form adopted was that of a *société anonyme* (public limited liability company) with a few cases of *société à responsabilité limitée* (private limited liability company).

Another banker remarked: "Now that the law has been in force for over 50 years, it seems doubtful that the word 'sole' used in 1929 still has the same meaning. Financial shareholding companies have branched off in various directions."

There are two general types of holding companies, one formed to take out participations, a controlling interest or engage in business transactions, or one formed by a group of individuals or a family to administer or invest their interests.

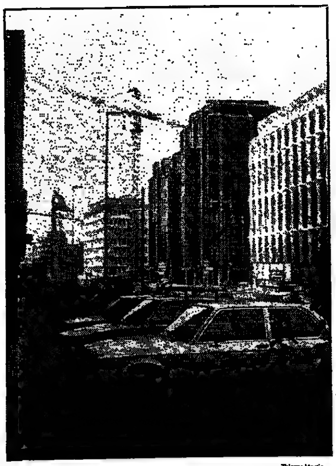
Holding companies can have many kinds of authorized operations. Among them are the acquisition of permanent shareholdings, investment portfolios, cash and short-term investments, gold and gold certificates, loans to subsidiaries, guarantor for the commitments of subsidiaries, collecting royalties on patents as well as licensing trademarks.

The Luxembourg holding company is not liable for any tax on dividend or interest income, capital gains and liquidation surplus. They provide a handy instrument for preparing takeovers, mergers and joint ventures, for arranging group financing without withholding tax for investors and for fructifying investments of rich individuals.

Paribas's Mr. Pierson commented: "The future of holding companies might to some extent be limited by the anti-avoidance laws appearing in different foreign legislations. However, the permanent flow of foreign capital into Luxembourg holding companies shows that they still attract investors interested in sophisticated financial structures."

The holding companies have come in waves. The French groups were in the Grand Duchy before World War II, the Belgians arrived after the war followed by the Dutch in the 1970s, the Italians and more recently the Japanese. (U.S. banks used Luxembourg in the 1960s to finance commercial operations before moving this activity to Curaçao and elsewhere with the suppression of the interest-equalization tax).

More recently still, the Grand Duchy has seen the development of adjacent activities such as investment funds. The funds used to have the same rules as the holding companies. A 1983 law introduced SICAVs and allowed funds to invest in areas from which holding companies were excluded — real estate, venture capital, financial futures and commodities.



Thierry Martin

The Boulevard Royale, Luxembourg's financial street.

By the end of last year there were 213 funds or investment companies in Luxembourg, some specializing in areas like energy, Japanese and Pacific basin securities.

In addition, so-called captive reinsurance companies have appeared, which allow foreign industrial groups to build up reserves against risks. These reserves enjoy special tax privileges. This has especially appealed to Swedish companies, including Electrolux, SKF and Volvo. Some 22 European companies have chosen Luxembourg for their reinsurance (18 Swedish, one Danish, one Belgian, one Dutch).

Investments Growing In Offshore Mutual Fund

By Francis N. Hoogewerf

LUXEMBOURG — Where else within the states of the European Community and the Organization for Economic Cooperation and Development can an investment holding company or an open-ended fund be set up and managed offshore virtually free of tax?

Such places as the Channel Islands, Cayman Islands and Liechtenstein, although often closely associated with either the EC or the OECD, are not themselves members of these groupings. Thus, as time goes on, these havens are likely to become less attractive for the purpose of marketing their funds to the public. This becomes apparent when one reads the texts of the proposed EC directive resulting from the "ECOFIN" meeting of the Oct. 28, 1985.

It was proposed at this assembly that the actions necessary to comply with this directive must be taken no later than Oct. 1, 1989. The United Kingdom has already started the ball rolling and has brought out draft legislation for its Financial Services Bill, in which its Securities and Investments Board (SIB) will play a large part.

The Luxembourg holding company was given favorable fiscal status as long ago as 1929, but it was not until August 1983 that Luxembourg's holding company legislation was updated to the modern needs of the Mutual Fund Industry.

That year might well be considered a vintage one for Luxembourg's finance industry: well timed to fit in not only with the proposed directive but also with present bull markets. There are now more than 200 funds officially recognized in Luxembourg representing over $14 billion in investment. It is understood that there are a further 40 applications currently being considered. In addition, the Japanese are currently showing a lot of interest in setting up some of their offshore funds in Luxembourg, because Luxembourg being a member of the OECD grouping is an authorized country for their purposes where the Cayman or Channel Islands would not be.

During the last few years the Channel Islands in particular have developed a lot of expertise in fund management, but unless they can become more closely associated with the EC, which would mean conforming to fiscal harmonization such as the introduction of a value added tax (VAT) and a company registration tax, then there is likely to be a trend away from the Channel Islands toward Luxembourg.

What is the background to Luxembourg's fiscal advantages? There are more than 6,000 tax neutral holding companies registered and controlled from Luxembourg.

A Luxembourg holding company is a company specifically designed as long ago as 1929 for the purpose of investment into other companies' shares whether in Luxembourg or abroad. It was designed to be tax neutral since it was argued that companies into which investments might be made would themselves be subject to tax whether in Luxembourg or abroad. Moreover, since the Luxembourg holding company is excluded from Luxembourg's tax treaties, there is often a withholding tax to be paid on dividends transferred to Luxembourg.

Technically it is not clear whether the funds covered in the new law of August 1983 would be excluded or not from Luxembourg's tax treaties. The Dutch holding company, on the other hand, does benefit from the Netherlands' treaties.

A Luxembourg holding company is subject to certain rules:

It may acquire, hold and dispose of shares and bonds of Luxembourg or foreign companies.

It may hold cash, foreign currencies and negotiable securities and place funds on deposit with financial institutions.

It may finance subsidiaries or companies in which the holding has a direct shareholding.

It may hold and license patents and receive income from the granting of licenses.

It may issue bonds by public or private subscription of up to 10 times the amount of its paid-up capital and in addition borrow up to 3 times its issued capital.

It may buy back up to 10 percent of its own shares where permitted by its statutes and when agreed by a general meeting of shareholders.

It may be a silent partner in a limited partnership.

A Luxembourg holding company may not:

Carry on any industrial or commercial activity, nor may it carry on brokerage or banking activities.

It may not directly own real estate except the premises used for its own offices.

Generally it may not grant loans to companies in which it does not own shares unless it is specially authorized as a financial ho[...] company.

A holding company requi[...] minimum paid-up share capi[...] 1.25 million Luxembourg fr[...] ($28,000). It is subject to a[...] only incorporation tax of 1 p[...] on its capital. On an annual [...] there is only a 0.2-percent c[...] tax to be paid. Accounts have [...] both audited and published [...] year, which is one of the re[...] that Luxembourg holding c[...] nies are considered "more re[...] able" than companies from [...] other jurisdictions.

Luxembourg's open-e[...] funds have two main catego[...] fund, the Fond Commun de [...] ment (FCP), which is an ope[...] ed fund similar to a unit tru[...] mutual fund that is not a com[...] The other type of fund is the [...] té d'Investissement à Capital [...] able (SICAV).

Luxembourg does, of c[...] recognize the closed end fun[...] foreign based funds operati[...] Luxembourg. The Luxemb[...] open-ended FCP is where a [...] agement company runs a se[...] portfolio of investments that [...] resented by a fund divided [...] equal parts, which can be b[...] and sold by investors.

The SICAV investment c[...] ny with variable capital is an [...] ended arrangement where inv[...] can buy and sell shares in a c[...] ny that uses its capital to acqu[...] investment portfolio. In this [...] the capital of the company [...] therefore, the value of the [...] vary directly with the value [...] company's assets. Here the [...] tors are shareholders who ha[...] direct rights in the fund, but [...] company that controls the fu[...] significant factor for some pr[...] ers.

In Luxembourg both the [...] ended fund and the variable c[...] company pay a very small [...] tax on net assets of only 0.0[...] cent.

Looking ahead one sees th[...] coming when an authorized [...] embourg fund can be market[...] only anywhere in the EC but [...] the United States once the a[...] priate authorities in the EC [...] negotiations with their co[...] parts in America.

The author, a British ch[...] tered accountant who has been [...] practice in Luxembourg si[...] 1969, is a specialist in intern[...] tional taxation.

Mark Regains Dominance in Eurolending Market

(Continued from Page 9)

third place behind London and Paris among European financial centers.

The U.S. dollar abdicated to the Deutsche mark last year after its brief 1984 reign as Luxembourg's leading currency of foreign assets. The West German currency, which gained about 22 percent in value against the dollar in 1985, boosted its share of foreign currency assets to about 40 percent from 38 percent while the dollar share slipped under 39 percent from 43 percent the year earlier.

The structural upheaval in the traditional Eurolending business since the onset of the debt crisis has plunged all the international finance centers into tough competition for the choicest borrowers. This has resulted in high liquidity, compressed margins, a shift toward capital market financing and a proliferation of innovative new financing instruments that are integrating the once distinct credit, capital and money markets.

Participation of Luxembourg Banks in the Euromarket

Participation in % of banks reporting to the B.I.S.*

	'80	'81	'82	'83	'84	'85
Total Assets	11.6	10.3	10.3	9.3	9.1	9.5
[illegible]	[illegible]	9.2	9.0	[illegible]	[illegible]	[illegible]

(*)The reporting zone includes the following countries: West Germany, Belgium, France, Italy, Luxembourg, the Netherlands, United Kingdom, Sweden, Switzerland, and since 1977 Austria, Denmark and Ireland, and since the end of 1983 Spain, Finland and Norway.

Source: Institut Monétaire Luxembourgeois

The capital market last year absorbed two-thirds of all new financings, with floating rate notes grabbing a bond market share approaching 50 percent. The share of new business for the traditional Euroloan market, still the major source of earnings for Luxembourg banks, slipped under 50 percent for the first time.

But London must have been hurt much more by the drop in major loan syndications than a Continental center like Luxembourg where the business had less of an international flavor, one banker said.

The exotic new financing packages that were designed to compensate for some of the missing credit business have not caught on in Luxembourg as they have in centers like London.

"Luxembourg is not the place for rufs and nifs," said Mr. Storck, referring to revolving underwriting facilities and note issuance facilities. His market-leading bank has made a point of warning about the potential risks of such off-balance sheet financing.

New Eurobond issues, propelled by the trend toward securitization of international debt, increased 70 percent last year to the equivalent of $135 billion. But the Luxembourg banks participated in only about 21 percent of the total amount.

Luxembourg's Eurobond issuing business, however, has immediate growth potential if the government in a new tax package slated to be unveiled Jan. 1, 1987, abolishes the 0.36 percent levy on bond issues. Both Mr. Storck and Mr. Burghagen said they believed this would happen.

"I regard this as an important and necessary step," said Mr. Storck, whose bank had shifted its Eurobond issuing operations to Curaçao. "If the levy is abolished, we will considerably increase the volume of our issues here."

West Germany's recent moves to liberalize its domestic financial markets have yet to make deep inroads on the flourishing offshore business in Luxembourg although an eventual lifting of the German minimum reserve requirement would be a real threat.

Ivestment Services Tow With Drop in Urocredits Business

By Giles Merritt

XEMBOURG — Financial ering is the key to the Lux- rg banking sector's efforts to itself to changing times. With op in the volume of its tradi- activities, such as straight- d roll-over Eurocredits, Lux- rg is looking to new forms of ng that will help it retain its as a premier offshore fi- l center.

...e-made financing deals that harness the Luxembourg expertise in arranging inter- al trade contracts and con- on projects are identified by in bankers like Dresdner Helmut Gras as the future h area for the Grand Duchy. al financings for special pro- s the new trend," Mr. Gras

...folio management is run- parallel to financial engineer- s an alternative to Luxem- 's stagnating syndicated business. The demand from e investors for the banks to their personal portfolios is ting strongly, and at the time many of the Luxem- banks are starting to offer clients investments in new privilege funds."

... growth in private invest- in Luxembourg has already substantial, and has amount- a fourfold increase in volume 1979.

...t increase contrasts with the e registered last year in the redits business, which had ng been one of the Luxem- banks' most faithful stand-bys. *These syndicated Euromarket* loans had totaled $112 billion in 1984, but for 1985 they stood at only $109 billion. And while innovative financing techniques are rapidly displacing the traditional *roll-over Eurocredit, the problem* for the Luxembourg banking community is that these new financial instruments are being dreamed up and launched in London and New York.

Lower interest rates, meanwhile, have helped compensate for Luxembourg's fading charms as a Euromarket center. "Investors can no longer get 13-14 percent on long-term time deposit accounts," said Marc-Hubert Henry of Kredietbank Luxembourgeoise, "and as a result, there is growing demand for portfolio management services." Mr. Henry added: "We don't perform miracles, but we maybe manage a 1-2 percent better yield than, say, a diversified high-risk mutual fund can achieve."

The Luxembourg banks' efforts to develop their investment management services is aimed chiefly at creating a new customer base rather than at trying to lure away the Swiss banks' super-rich clientele. Luxembourg banks sometimes accept personal portfolio accounts of *as little as 10 million Luxembourg* francs, although in general, customers can only expect a genuine personal investment service on accounts of $100,000 and upward.

However, Luxembourg's strict bank secrecy laws and its tax-free conditions for nonresidents have helped attract to the Grand Duchy a steadily expanding volume of private customers from nearby Belgium, France, West Germany and the Netherlands.

For those customers whose means do not run to a full-fledged personal investment service, the Luxembourg banks are rapidly developing an array of new super-funds that are restricted to comparatively few investors, each with a sizable holding of $30,000 or more, and which are certain to outperform most standard mutual funds. Luxembourg's private investors have traditionally favored bonds, but with the advent of these new high-privilege funds the banks' investment managers are now increasing their purchases of equities and some are even beginning to launch equity funds.

The diversity of Luxembourg's super-funds is suddenly increasing. *In addition to mixed equity and* bonds funds, there is a variety of currency and options-buying funds, including one in which the revenue from treasury bills is almost gambled like casino chips on *different futures and options. Less* exotically, perhaps, specialists like Kredietbank have introduced a European Currency Unit (ECU) fund and a Danish kroner fund as well as several diversified bond funds.

In all, 213 different mutual funds worth a total of 600 billion Luxembourg francs have so far come to Luxembourg to take advantage of the tax-exemption law covering such funds that was enacted in 1983. By the end of this year, their number will probably have passed the 250 mark. The banks in the Grand Duchy are, indeed, beginning to worry that the only snag to this new area of activity is that private banking and mutual fund administration is more labor intensive than their more traditional Eurocredits business, with the result that personnel shortages are a growing problem.

Where Luxembourg's banking community will find itself in a decade, or even five years from now, is hard to guess. The weakening of the syndicated loans business has certainly challenged Luxembourg to find new banking services to make up the loss.

At the same time, the Grand Duchy's position at the heart of the Eurobond market is unlikely to be weakened in the foreseeable future. The Cedel clearing system, which handles about 40 percent of Eurobond transactions, is based in Luxembourg, and by the end of this year it is likely that the number of Eurobonds listed on the Luxembourg Stock Exchange will have passed 4,000, up from 1,500 in 1980. The likelihood is that Luxembourg's private banking will continue to grow, but will thrive as a complement to the Euromarkets activity rather than as a competitor.

Thierry Martin

The Greening of a Banking Capital

By Pierre Werner

LUXEMBOURG — It remains a matter of surprise how the capital of a country of such small size as Luxembourg could grow over the last 20 years to an international banking center of impressive size. There are 118 banks with a global balance sheet totaling $150 billion.

It might be true that so-called offshore financial centers have a different and more volatile type of growth. But in more than one regard the role played by Luxembourg has gone beyond the typical offshore ventures. The way it was originated shows also some very special features. It cannot be said that its beginning was accompanied by loud and obtrusive publicity around the world.

It grew out of the political and financial structure of the country, of some of its advantages derived *from geographical and human* peculiarites. These "natural" advantages have often been underlined: the full sovereignty of the country, its cultural and linguistic pluralism, the easiness of access to the authorities and of *legislative adjustment* to new situations, its political and social stability, its fiscal neutrality.

That these features could be assets for an internationally reputed banking center was only gradually recognized by the Luxembourgers themselves.

The first wave of growing bank development occurred around *1963. The Duchy* adjusted the broad legal frame of 1929 special legislation on holding companies, to new aims going far beyond pure tax considerations. The interpretation given to these provisions responded to needs arising on the international capital markets, especially after the U.S. authorities had instituted the interest equalization tax. A matter of fact, this tax was a deterrent from raising funds in New York for investment in Europe.

At a time of intensive American investment in Europe, the multinational companies were confronted for the financial needs of their subsidiaries with a series of still nation*ally protected capital markets. The* so-called *holding de financement,* contributed much to what has become the Eurodollar market.

Investment funds began also to develop by using the 1929 holding legislation.

Soon Luxembourg was being considered as providing channels as an intermediary for the flow of capital, which was required, especially for big enterprise, by progressing liberalization of the exchange of goods.

The Luxembourg Stock Exchange, created at the beginning of the 1930s, got a new dimension, by quoting *the numerous* bond issues on the Euromoney markets.

A second wave of development set in at the end of the '60s. Monetary imbalances in Europe and anti-inflation policies increased the need by governments and central banks to master the liquidity problems of the economy and of the bank system.

The link between budgetary and monetary policy became more obvious.

Without embarrassing seriously foreign policies, Luxembourg was able to maintain a more liberal trend because of a greater aloofness with respect to budgetary and monetary strains.

In spite of the losses incurred through World War II, the budgetary situation had improved rather quickly in the '50s. The good balance of public finance and especially the moderate level of public indebtedness were an essential contribution to the strengthening of the confidence the financial center enjoyed.

This rather rigorous policy, which was not always acclaimed in the country and which was criticized by the political opposition, has given flexibility and faculty of adjustment to the credit system, as *the needs of the Treasury did not* weigh too heavily on the capital markets.

Monetary regulations have been shaped at the minimum compatible with the Grand Duchy's monetary association with Belgium. In other words the protectionist constraints and planning controls in other countries have played in favor of the banking place, due more and more to the alertness of the banking community and the cooperative understanding for new developments by the public authorities.

The banking center has played a very significant part in the development of the Euromarkets, which is once more attributable to the relaxed relation of Luxembourgers toward full monetary sovereignty.

Already, since 1960, voices were being raised in Luxembourg in favor of monetary integration within the European Community. The Luxembourg citizen today is already very much on familiar terms with the ECU, the currency unit of the community.

The presence in Luxembourg of the financial institutions of the community, according to agreements signed by the member states, represented by the European Investment Bank, the credit section of the Coal and Steel Community, the official, if still somewhat symbolic headquarters of the European Fund for Monetary Cooperation (FECOM), contribute to this propitious state of mind.

The full importance of the banking venture was not always well recognized by politicians in the '60s, and many doubts about the longevity of the phenomenon were raised. The ongoing harmonization of policies in the European Community was considered as a lasting Damocles sword over the heads of Luxembourg banks. The tradition*al Luxembourg* banks looked also with some suspicion at the influx of more and more banks, when it started. Leftist circles came along with ideological objections.

Defending the development as a contribution to a *free flow of capi*tal in Europe in line with the Common Market, I was glad sometimes to allude to their willingness to reinforce the criteria of seriousness and of high standing of banking surveillance.

The change of coalitions in the government did not affect the continuity of the positive attitude of the authorities. Even during the period extending from 1974 to 1979, when I passed with my party to the opposition side in parliament, the coalition composed of Liberals and Socialists, continued the promotion of the banking center, in spite of the fact that in the past the Socialist party had been rather cool to the development.

Meanwhile, the broad public had become conscious of the economic value of the sector. During the 10 years' crisis *in the steel sector, the* Luxembourger found that having a prosperous banking sector was one of the guarantees against pitfalls in other parts of the economy.

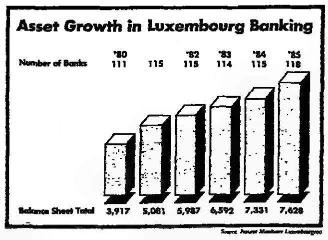
Development of the service sector has become one outstanding part of the efforts of the Luxembourg governments since 1950 to diversify the structure of the Luxembourg economy. As a matter of *fact iron and steel* was so predominant that it gave the national economy nearly a monolithic feature.

A German banker wrote in an economic newspaper, Börsenzeitung, on May 17 that Luxembourg has become "mature" as a finance center and that the place has increased its self-confidence.

It seems to me that the future of the place can be defended against growing competition from other centers. Experience has shown that the center is capable of diversifying and responding to backward trends.

The creative spirit of the banking community and the broad understanding of the authorities ought to be the best pledges for the future.

Pierre Werner served as prime minister of Luxembourg from 1979-84, leading a center-right coalition of Christian Socialists and Liberals.



Source: Institut Monétaire Luxembourgeois

Diversification of Banking Sector Begins to Pay Off

(Continued from Page 9)

...uxembourg's 29 West German

...ne of these rule changes affect ...ecrecy of Luxembourg ac... s because the authorities con... hemselves only with the lend... le of banks' business, not the ...ship of the deposits they col...

... the odds are that, in the ... the German side of Luxem...'s Eurobusiness will lag be... recent levels.

And it is uncertain if Luxembourg can continue to appeal to international issues in competition with cut-price commission levels expected soon in London.

All of which makes the private banking option more significant for the Luxembourg banking system.

Banking is a big business in Luxembourg employment terms. As of December, 1985, 6.3 percent of the working population (10,213 persons) were directly employed by banks.

The share of value added to the gross domestic product by banks and insurance companies rose from 4.5 percent in 1970 to 13 percent in 1983, the last year for which it was calculated.

Over the same period, the share of the steel industry fell from 27 to 11 percent. And given all the people who help banks do business while not directly employed by them, providing ancillary services ranging from real estate broking to legal advice to auditing, there probably are as many Luxembourg residents working for the financial ser*vices sector as there are smelting* steel, some 13,000 to 15,000 people.

In 1984, banks paid 9.816 trillion Luxembourg francs in corporate taxes.

Bankers, including foreigners who live in the country, paid considerably more in personal income taxes. Luxembourg may be a tax haven, but it is not one for those who live there.

This has been a point of contention by Luxembourg bankers for *years, but there are hints that the* Finance Ministry may be ready to act on the matter now.

Bankers who are paying over 40 percent of their salaries in income taxes to Luxembourg even if they spend a lot of time traveling outside the country feel that they deserve kindlier treatment, and they may get it.

Belgian Franc Tie: The Pluses Still Outweigh Minuses

By Ken Ferris

LONDON — The Luxembourg ...nc's prospects are bound up ...h the economic performance of ...ghboring Belgium. The link with ... Belgian franc has its advantages ...l some drawbacks.

...evertheless, the Belgian curren...'s smooth adjustment in the re...nment of the European Mone...y System (EMS) April 7 has ...pened any remaining market ...s that Luxembourg might break ... Belgian franc connection. Even ...ulation surrounding the aboli... of Belgium's dual exchange ... has caused no more than a ...le of concern in the Grand ...hy.

...he major factor behind Luxem...rg's evident satisfaction with ... Belgian franc's performance is ...sels's resolve to establish the ...c as a strong currency. Market ...ulation in the weeks leading up ...e snake reshuffle focused on a ...rcent to 3-percent franc deval...on against the European Cur...y Unit (ECU). However, the ...ian authorities surprised for...exchange dealers with a 1-per... franc revaluation against the ...

...accordance with their terms of ... into the exchange rate mecha... of the EMS, Belgium and ...mbourg maintain the spot rate ...een their two currencies and ... of the other EMS members ...n margins of 2.25 percent (6 ...nt for the Italian lira) above ...low the bilateral central rates. ...National Bank of Belgium, ...h holds reserves for both coun... stands ready to intervene to ...rt the Belgium and Luxem... francs.

...e ground rules for franc parity ...tments within the EMS were ...down during Luxembourg's ... with Belgium at the end of ... The outcome of those discus... was the adoption of a guide... to keep the franc as close as ...le to the strongest currency ...e system — the Deutsche ...

April's currency adjustment ...elgian/Luxembourg franc ...evalued by 2 percent against ...utsche mark and Dutch guil... while it was revalued by 4 ...t against the French franc ... percent against the Italian ...d Irish pound. That has shar... the Belgo-Luxembourg Economic Union's competitive edge, while maintaining efforts to reduce inflation, which was 4.1 percent in Luxembourg last year.

"The EMS realignment has been well accepted by the market," said Pierre Jaans, head of the Luxembourg Monetary Institute, which is comparable to a central bank. "Even today, the franc's rate versus the Deutsche mark is practically at the same level as in the weeks before the parities were realigned. So speculators who sold francs short have lost money."

"Luxembourg favors a strong currency because of its role as a financial center," added Filip Keereman, an economist with Kredietbank. "So when Belgian Finance Minister [Mark] Eyskens took the view that the franc should not lose too much ground to the Deutsche mark and the Dutch guilder, the Luxembourg authorities were very pleased."

Luxembourg's attitude toward the Belgian franc adjustments within the EMS has not always been so cordial. When the Belgian currency was devalued by 8.5 percent against the ECU in February 1982 without any official consultation with Luxembourg, the Grand Duchy reacted angrily and with a sense of frustration.

Belgium's action sparked a wave of speculation that the Luxembourg franc would break away from its neighbor and led to persistent criticism of the Belgian franc link in Luxembourg. Opponents of the monetary union pointed to the disparity between Luxembourg's structural current account surplus, due to invisible earnings from financial transactions, and Belgium's persistent deficits as a major reason for de-linking the currencies. That opposition was also fostered by doubts about whether Belgium's stabilization policies would work.

The franc's struggle to be accepted as a member of the strong currency camp and a marked improvement in Belgium's economic performance has dampened those concerns. Mr. Jaans of the Monetary Institute now believes that the progress being made by Belgium, particularly the government's plans to reduce the budget deficit from this year's projected 11 percent of GNP, means such doubts about economic fundamentals have receded.

Robert Menster, the foreign exchange manager at Banque Internationale à Luxembourg, is convinced that it would, in any case, be very difficult for the Luxembourg franc to break away from the Belgian currency. The currencies were first linked in 1919 and have been held at parity since the end of World War II.

"The two economies are so close together that even if the Belgian franc was devalued by 2 or 3 percent I presume we would follow," he said. "If there was a split, we would have to manage our local currency. That would not be easy. Speculation always endangers the small countries and, as Luxembourg is one of the smallest, it would be almost impossible to defend our exchange rate unless we abolish convertibility."

The other contentious issue is the possibility that the dual exchange rate could be abolished. In Belgium and Luxembourg there are two spot exchange markets — the official or commercial market and the free or financial market. Most current transactions are carried out at the commercial rate, while capital transactions take place at the financial rate.

Only authorized banks are able to conduct exchange business at the commercial rate, but they may sell at that rate currencies acquired on the free market. The financial franc is at a discount to the commercial rate and pressures on the currency can be gauged by the differential between the two. A widening of the discount reflects pressure on the franc.

Rumors about abolition of the dual exchange rate were sparked by the National Bank of Belgium which hinted last year that, if the economic situation in Belgium were favorable, it might be possible to dismantle the dual rate system. National Bank studies have since been set up to assess the implications for capital movements of dismantling the two-tier system.

The Luxembourg authorities are concerned that such a move would be accompanied by the introduction of exchange controls to defend the franc. Such controls would undermine its status as a banking and finance center.

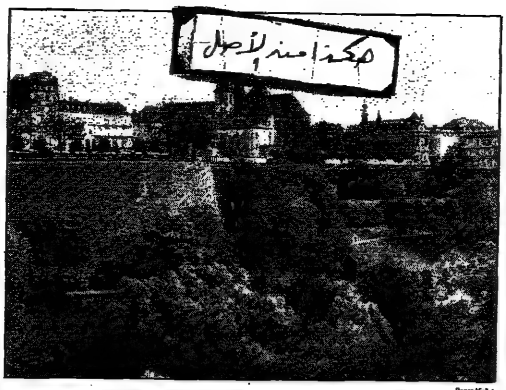
"Abolition of the dual exchange rate could only take place if it was a clear and creditable step. There could be no going back to controls on capital movements," Mr. Jaans said. Exchange controls would also directly challenge the European Community's timetable for the abolition of all controls on capital by 1992.

"For the moment I don't think the time is right for Belgium to abolish the dual system," said Mr. Keereman of Kredietbank. "This year Belgium's c/a [current account] surplus will be larger than 1985's but we still have to significantly reduce the budget shortfall. If we sort out that problem, abolition may be possible by 1988." Kredietbank expects a current account surplus of 140 billion Belgian francs as opposed to last year's 12.6 billion Belgian francs — the first surplus in 10 years.

Mr. Menster of Banque Internationale believes that moves to dismantle the system may be closer at hand. "If you look at the trend in France and Italy towards easing controls and the fact that Germany's acceptance of private ECU accounts is dependent on further relaxation of controls in other EEC countries, then it's conceivable that the two-tier exchange rate could be dismantled in the not too distant future. Of course, such action requires franc stability within the foreign exchange markets."

The link with the Belgian franc also has a bearing on the nature of foreign exchange dealing in Luxembourg. The fact that the Belgian currency is not of great importance in the international arena means that the volume of franc business falls far short of comparable trades in U.S. dollars, Deutsche marks and Swiss francs. And Luxembourg is not a natural center for dealers in other countries to turn to when trading the major currencies.

But foreign exchange business has grown apace with Luxembourg's development as a banking and finance center. Foreign exchange activity was conducted on a small scale until the arrival of the major West German and Scandinavian banks in the early 1970s. These banks, together with rivals from the United States, Italy, France and Switzerland, have created the need for an efficient foreign exchange market to meet their individual requirements.



A panoramic view of Luxembourg with cathedral in the background. Roger Viollet

Swaps Market Grows Steadily But Size Is Difficult to Assess

By Philip Coggan

LONDON — The nature of the swaps market is such that estimates of its size and concentration are hard to obtain and harder still to verify.

Enthusiasts estimate a global volume of between $150 and $200 billion; skeptics think those figures involve exaggeration and double counting. London and New York still appear to dominate as the headquarters of swap activity, but rival financial centers including Luxembourg are beginning to develop their own markets.

At present, swaps in Luxembourg can be divided into two categories — those linked to Eurobonds and those arranged through the interbank market.

Experts estimate that about 80 percent of Eurobonds are swap-driven; that is, the issuer of the bond does not require the funds in the form raised. The issuer has merely seized the chance to issue in a currency that is for the time particularly cheap. Eurobond specialists call this finding a "window" in the market.

Most Australian dollar and New Zealand dollar issues, for example, are made for swap reasons. In such cases, the issuer will find an antipodean borrower who wants funds in those currencies. The latter agrees to service the Eurobond issuer's interest payments; in return, the issuer makes U.S. dollar payments.

The result is substantial interest rate savings for the Eurobond issuer, cheaper funding for the Australian or New Zealand borrower, and a fee or margin for the bank that arranged the deal.

However, although most Eurobonds are listed in Luxembourg for tax reasons, the swaps are often arranged by the head offices of banks in London and New York. That makes the true involvement of Luxembourg hard to assess.

Activity in the Luxembourg interbank market has grown steadily over the past two years. Of the currencies swapped, perhaps the most active are the Deutsche mark and the Swiss franc. Swaps out of the Scandinavian currencies are also reported to be increasing. Interest rate swaps are usually for fixed rate dollars against the three- or six-month London inter-bank offered rate (Libor).

In both markets, swaps grew naturally out of similar instruments, like long-term foreign exchange contracts and FRAs, forward rate agreements. All such instruments are used regularly by banks to control their exposure to exchange and interest movements.

The future of the swaps market and the part that Luxembourg can play in it remains intertwined with the subject of banking regulation. Such is the speed of development of the international capital markets, as banks have developed new fee-earning products to replace their now unfashionable lending business, that regulators have been unable to keep up.

A recent report by the Bank for International Settlements recently expressed concern about the speed of innovation, and central banks of various nations are reported to be planning new regulations.

An estimated 80 percent of Eurobonds are swap-driven.

Swaps, which represent an off-balance sheet risk, are one of the most difficult products to assess. How does one quantify the risk to a bank of a default from one or both swaps counterparts? Does it relate to the total interest payments involved or merely to that part that would involve the bank in paying above market rates? And how does the currency element fit in?

Some Luxembourg banks are still cautious about fully committing their energies to the swaps market because of the possibility that central banks might start to impose risk provisions on banks involved in swaps transactions.

"Swaps are conducted on ultra-fine margins. If the central banks impose, say, a 50- to 75-percent backing requirement on swap transactions our profits will go out the window," said a Luxembourg banker. "As a result, we've decided not to race into the market."

But other banks are not so reticent, and corporate customers are being offered a wider range of risk management products, involving every combination of swaps, warrants, options and futures.

The loose regulatory environment of Luxembourg does allow some bankers from other European countries to get involved in swap activities that might be frowned on at home. The Germans and Italians have been particularly active, although such activity may be limited by the recent requirement for banks in West Germany to consolidate the accounts of their Luxembourg subsidiaries.

At the moment, the biggest factor keeping the swaps market in Luxembourg from competing with London and New York is that the American banks, which dominate the swaps business, have very little presence in the Grand Duchy.

However, if the stamp duty on financial transactions is repealed later this year, as hoped, the conditions will be ripe for an expansion in the swaps market. And the nature of Luxembourg's position in the financial system means that if bankers' fears are realized and capital requirements are imposed for swaps, the stranglehold that London and New York have on the swap market might be broken."

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Tuesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

U.S. Futures

Via The Associated Press

July 1

Grains

Livestock

Food

Metals

Financial

Industrials

Stock Indexes

Commodity Indexes

	Close	Prev.
Moody's	963.90 f	974.
Reuters	N.A.	1,452.
D.J. Futures	112.62	112.
Com. Research Bureau	200.20	201.

Moody's : base 100 : Dec. 31, 1931.
p - preliminary; f - final.
Reuters : base 100 : Sep. 18, 1931.
Dow Jones : base 100 : Dec. 31, 1974.

Market Guide

CBT: Chicago Board of Trade
CME: Chicago Mercantile Exchange
IMM: International Monetary Market Of Chicago Mercantile Exchange
NYCSCE: New York Cocoa, Sugar, Coffee Exchange
NYCE: New York Cotton Exchange
COMEX: Commodity Exchange, New York
NYME: New York Mercantile Exchange
KCBT: Kansas City Board of Trade
NYFE: New York Futures Exchange

Currency Options

PHILADELPHIA EXCHANGE

July 1

Source: AP.

2 Others Named In U.S. Insider Case

The Associated Press

NEW YORK — Two former officials at leading Wall Street brokerage houses agreed to forfeit more than $3.5 million Tuesday after the Securities and Exchange Commission accused them of insider trading.

Robert M. Wilkis, 37, until last month a first vice president at E.F. Hutton, and Ira B. Sokolow, 32, a vice president at Shearson Lehman American Express, neither admitted nor denied any wrongdoing as they signed consent orders to settle civil charges filed by the commission.

But Mr. Wilkis agreed to give up $3.3 million and Mr. Sokolow, who was dismissed Tuesday by Shearson Lehman, promised to repay $210,000.

The two men had been accused by the SEC of participating in an insider-trading scheme with Dennis B. Levine, a managing director at Drexel Burnham Lambert Inc., who pleaded guilty to criminal charges last month and agreed to cooperate with investigators. The SEC had accused him of making more than $12 million in a five-year period by trading on confidential information he acquired in the course of his work.

The SEC charged that Mr. Wilkis began illegal trading in 1978. But in the early 1980s, the commission said, Mr. Levine and Mr. Wilkis agreed to help each other by exchanging confidential information about planned mergers and other transactions that held potential for big stock market profits.

Mr. Sokolow furnished Mr. Levine similar secret information in return for a share of the profits Mr. Levine made by trading on it, the SEC said. Mr. Levine had worked at Shearson Lehman and its predecessor, Lehman Brothers Kuhn Loeb, along with Mr. Sokolow from 1981 until Mr. Levine joined Drexel in 1985.

(Continued on next left-hand page)

Asian Commodities

July 1

SINGAPORE GOLD FUTURES

KUALA LUMPUR RUBBER

SINGAPORE RUBBER

KUALA LUMPUR PALM OIL

Source: Reuters.

Paris Commodities

July 2

SUGAR

COCOA

COFFEE

Source: Bourse du Commerce.

London Commodities

July 1

SUGAR

COCOA

COFFEE

GASOIL

Sources: Reuters and London Petroleum Exchange (gasoil).

Cash Prices

July 1

Commodity and Unit	Tue.
Coffee 4 Santos, lb	1.87
Printcloth 64/30 38 ½, yd	0.46
Steel billets (Pitt.), ton	473.00
Iron 2 Fdry. Phila., ton	213.00
Steel scrap No 1 hvy Pitt.	70-71
Lead Spot, lb	22-24

Source: AP.

Dividends

Source: UPI.

S&P 100 Index Options

July 1

Source: CBOE.

DM Futures Options

July 1

Source: CME.

London Metals

July 1

Source: AP.

U.S. Treasuries

July 1

	Bid	Offer	Yield
30-yr. bond	100 14/32	100 16/32	7.21

Source: Salomon Brothers.

Merrill Lynch Treasury index: 153.05
Change for the day: + 0.18
Average yield: 7.40 %

Source: Merrill Lynch.

INTERNATIONAL MANAGER

[...]ing for Aging Relatives [...] Affect Productivity

By SHERRY BUCHANAN
International Herald Tribune

[...]DON — After a series of recent studies, U.S. companies are becoming concerned about how caring for older relatives affects employees' productivity. But so far, few companies want to foot the bill by providing direct [...]l assistance to employees who provide care or by spon[...]dult day-care centers.

[...]not unlike child care," said Dana Friedman, senior associate with the Conference Board, the New York [...] research group. "Companies don't want to direct em[...]toward a particular type of assistance. On the other hand, [...]ies are concerned with [...]g health costs and [...]g any kind of assis[...] employees giving care [...]relatives would be just [...]e added cost."

Several studies found a higher level of stress and greater absenteeism.

[...] executives, who be[...]ey can handle the [...] themselves, would [...]imal interference by [...]pany.

[...]uldn't want the company to interfere with my personal [...]d a U.S. executive who recently had to take unpaid leave [...]rk to care for his parents. He took tranquilizers through[...]rdeal of settling them in a nursing home, but says he still [...]e could cope on his own.

[...]s, however, find it more difficult to cope with the finan[...]den, the guilt and the stress of looking after an older [...] Several studies have found that providing the care takes [...]ay from the job and leads to a higher level of stress.

[...]ding to a survey by the New York Business Group on [...] nonprofit business and community organization, 64 out [...]S. companies surveyed believed that employees providing [...] older relatives are more often late and absent from work [...]er employees.

[...] study conducted at the University of Michigan School of [...] found that people caring for the aged are three times [...]ely to suffer from depression than the relatives they are [...]or.

[...]ORDING to a study by the Duke University Center on [...]ging, 33 percent of the people caring for relatives suffer[...]g from Alzheimer's disease use prescription drugs to [...]th depression, compared with 10 percent for the U.S. [...]on as a whole.

[...]urvey of their employees, Travelers Corp., an insurance [...]y based in Hartford, Connecticut, found that as many as [...]ive of their 1,000 home office employees are providing [...]n older relative.

[...]re concerned with elder care because American society is [...] older," said Jim Davis, the personnel director for Travel[...]. "We wanted to see how much of it there was in our [...]y, what kind of stress it causes for our employees, how it [...]heir productivity on the job and what we can do about it."

[...]20 percent of employees giving care to the elderly said it [...] interfere with their family life.

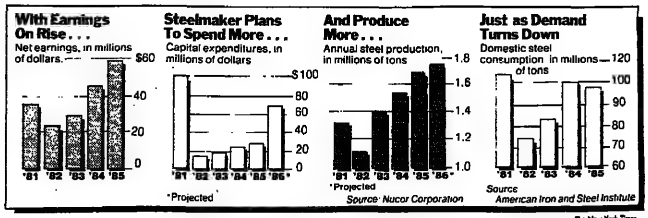
[...] percent cared for relatives living in their own house, 20 [...]for relatives living with them and 15 percent for relatives [...]ng homes. Four in 10 employees manage the older [...] finances and 3 in 10 provide direct financial support.

[...]urvey found that the average time spent caring for an [...]elative was 10 hours per week. But 8 percent of the [...]es surveyed said they devoted as many as 35 hours a [...]e largest amount reported was 80 hours a week.

[...] U.S. companies provide employees with information [...] seminars and referrals to local agencies.

[...] companies have gone a step further providing jobs and [...]m of financial assistance. Travelers has created a Retiree

See ELDERS, Page 19



The New York Times

Nucor's Ambitious Effort to Take on Big Steel

By Jonathan P. Hicks
New York Times Service

CHARLOTTE, North Carolina — For years Nucor Corp. has been a shining light in the beleaguered American steel industry. But its ambitious expansion plans, coupled with projections of little or no growth in the industry, have caused some to question whether it will be able to maintain the strong earnings performance that has become its trademark.

Critics note that competition with other mini-mills has intensified in recent years and that there is overcapacity in most of the products the company produces. They also question how Nucor's renowned no-layoff policy and its unusual labor practices (which pay bonuses to workers for producing beyond the break-even point) will mesh with the more automated production methods it is pursuing.

Strongly defending the course of the United States's No. 9 steelmaker and largest mini-mill operator is F. Kenneth Iverson, who, as Nucor's chairman, has become widely viewed as the forerunner of a new breed of steel-company manager. He says that critics are shortsighted and that Nucor's feverish push to build new plants, expand capacity and develop more sophisticated production methods will pay huge dividends over the long term.

The strategy, he said, "makes sense for us. To gain a larger share in an ever-shrinking market, you've got to take something from someone else. You've got to offer what the customer wants at a price the customer finds attractive. And our plan is to make steel as cheaply as anyone in the world."

In keeping with that plan, Nucor is considering its most ambitious project yet: a joint venture with Yamato Kogyo Ltd., a small Japanese steelmaker, to build a $200-million plant to produce heavy structural-steel products used in big buildings and bridges. The move would place Nucor in direct competition again with three Big Steel companies: Bethlehem, U.S. Steel and Inland Steel Industries.

Later this year, Nucor plans to open a $25-million, highly automated steel-fastener plant capable of producing 40,000 tons of bolts a year, equal to 10 percent of the midwestern market. The company is expanding its joists plants in South Carolina, Texas and Alabama. And it is studying how to build a thin-slab casting plant to make sheet steel more efficiently than the bigger companies.

Critics say Nucor ought to concentrate on fewer products. They contend that the expansion will almost certainly hurt earnings for the next two years at least.

"It is hard to do all that they're trying to do and keep profits up," said one consultant. "With the industry in the shape it's in, this is not the time to expand beyond the niche they've established."

Mini-mills generally produce small, bar-type products — rods, angles and squares for everything from basketball hoops and oil-field equipment to automobile engines and farm machinery.

Even Mr. Iverson agrees that the expansion might hurt at first. "Our plant start-up costs will run about $10 million this year," he said, "and we're spending more on research and development. That could have some effect on our earnings. And if it affects our earnings,

See NUCOR, Page 20

Mexico Says It Will Meet $600-Million Payment

By Chris Angelo
The Associated Press

MEXICO CITY — The Finance Ministry said Mexico would pay $600 million on its $97.6-billion foreign debt on Tuesday, and would take another 30 days to reach an agreement with creditors on managing the rest of the debt.

A statement issued late Monday said Mexico owed $600 million on Tuesday, not $1.6 billion, as had been reported.

A spokesman, Roberto Contreras, said the $600 million, including interest and payments to suppliers and international organizations, would be paid from Mexico's reserves.

The statement said the $1.6-billion figure included $950 million in principal that was deferred twice, each time for six months, after last September's earthquake. The principal payment is now due Oct. 1.

The new finance minister, Gustavo Petricioli, said last week that Mexico owed about $1.5 billion by July 1. Mexico has been paying only the interest on its foreign debt.

The Finance Ministry statement was issued after Mr. Petricioli reported to President Miguel de la Madrid and the cabinet on his meetings last week in Washington with U.S. and international banking officials.

The statement said no bridge loan to help Mexico past Tuesday's deadline had been discussed.

The statement was the first information released by Mexico on Mr. Petricioli's talks with the U.S. treasury secretary, James A. Baker 3d; the Federal Reserve chairman, Paul A. Volcker, and Jacques de Larosière, managing director of the International Monetary Fund.

Mr. Petricioli also met with A.W. Clausen, outgoing president of the World Bank, and Antonio Ortiz Mena, president of the Inter-American Development Bank.

"The response of international and American authorities was basically one of interest and comprehension," the statement said.

It said Mexico "emphasized the need to reach an agreement that would not simply include additional credit, but also concessions that diminish the weight of the debt service on the economy."

Mexico wants payments cut to a level that will allow its economy to grow by 3 to 4 percent in 1987 and 1988. It also insists that payments on its foreign debt, which is the second-highest in the developing world behind Brazil, must vary with the price of oil.

Mexico has relied on oil sales for 70 percent of its foreign earnings, but expects oil to produce only about $7 billion this year, nearly half of 1985 earnings of $13.3 billion.

Mexico also is looking at ways to protect its remaining reserves. The statement said those measures could include depositing interest payments in Mexican banks briefly until foreign currency was available to transfer abroad.

Leading Index In U.S. Showed 0.2% Rise in May

Compiled by Our Staff From Dispatches

WASHINGTON — The index of leading indicators, a key barometer of the U.S. economy, rose a weak 0.2 percent in May, the government reported Tuesday, dimming hopes for a strong rebound in coming months.

The Commerce Department also revised the April increase downward to 1.3 percent from the 1.5-percent gain reported last month. The April advance was still the best since October 1983.

In a separate report, the department said construction spending increased 0.8 percent in May after a 1.0-percent rise in April.

Financial markets reacted to the report on leading indicators by pushing the dollar lower, as traders apparently viewed the data as more evidence of a soft U.S. economy.

A string of recent reports indicates that the economy is sluggish. These include falling home sales in May, a larger-than-expected merchandise trade deficit and a downward adjustment in first-quarter growth in gross national product to 2.9 percent.

The May increase in the leading indicators was weaker than most analysts had expected and was the smallest increase since January, when the index fell 0.2 percent.

But it followed three months of strong gains, and administration officials were optimistic.

"With interest rates again dropping lower and leading indicators still climbing, we expect strong third- and fourth-quarter growth to continue to fuel the Reagan economic expansion, now in its 43d month," said Larry Speakes, the White House spokesman.

The composite index has either advanced or remained unchanged in 12 of the last 14 months.

The composite index rose to 178.8 in May from 178.5 in April. The scale began at 100 in 1967.

The index, which seeks to predict the direction of the nation's economy three to six months in advance, stood at 167.1 in May 1985. It has advanced by 2.9 percent during the first five months of this year.

Six of 11 indicators in the index were positive. The biggest contributor was growth of money supply, which is necessary for economic growth but also can worry the central bank if expansion is too rapid and threatens inflation.

Negative influences on the index were creation of new businesses, factory orders for consumer goods and home building permits.

As in other recent reports, the industrial sector of the economy appeared weak while the financial sector seemed robust.

Meanwhile, the Commerce Department attributed May's 0.8-percent rise in construction spending to a surge in public projects.

It said construction spending rose to an annual rate of about $374.7 billion.

The estimated actual value of construction was $32 billion in May and $28.6 billion in April, the report said. The numbers are adjusted for seasonal differences and extended for 12 months to arrive at the annual rate. *(UPI, Reuters)*

German Surplus Widened in May

Reuters

WIESBADEN — West Germany's merchandise-trade surplus in May widened to 8.1 billion Deutsche marks ($3.7 billion) from 7.5 billion DM a year earlier, the Federal Statistics Office said Tuesday.

The rise is modest when compared with April, when the surplus nearly doubled to a record 10 billion DM from April 1985. The current-account surplus, which includes nonmerchandise items such as services, widened to 6 billion DM in May from 5.9 billion in May last year. However, that was narrower than a revised 8.2 billion DM in April.

The figures appeared to support Bonn's argument that its trade surplus, a frequent target of U.S. criticism, is falling in real terms. Exports, when measured by volume rather than prices, rose by only 0.2 percent in the first five months of the year while imports increased 5 percent.

Currency Rates

[...]Rates July 1

$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
2.4895	3.79	112.455 *	26.29 *	0.144 *	—	3.509 *	138.38 *	130.89 y
44.46	68.82	20.4530	6.4075	2.979 *	18.1595	—	24.11	27.3975 *
2.1829	3.344	—	31.32 *	1.457 x	88.745 *	[illegible] *	122.79 *	1.34 *
1.55	—	3.3693	10.759	2,311.50	3.793	68.935	2.7455	252.05
1,500.00	2,309.70	686.40	214.93	—	609.35	33.548	841.95	9.196
—	0.6479 *	2.185	6.9745	1,500.00	2.461	44.680	1.779	163.30
6.97	10.74	3.1937	—	4.652 x	2.8345	15.6115 *	3.916	4.3745 *
142.80	221.44	74.89	22.39	10.89 *	46.26	364.94 *	91.42	—
1.7758	2.7432	81.465 *	25.825 *	0.1187 *	72.315 *	3.9804 *	—	1.0986 *
0.9841	0.6355	2.1467	6.855	1,475.11	2.4185	43.9114	1.7511	160.462
1.15221	0.75719	2.58086	N.Q.	N.Q.	2.9067	52.802	2.1030	192.43

[...]ondon and Zurich, fixings in other European centers. New York rates at 4 P.M. [...]cial franc (b) Amounts needed to buy one pound (c) Amounts needed to buy one [...]its of 100 (x) Units of 1,000 (y) Units of 10,000 N.Q.: not quoted; N.A.: not available. [...]one pound: $U.S.1.5435

[...]ollar Values

[...]	U.S.$	Currency	per U.S.$	Currency	per U.S.$	Currency	per U.S.$
[...]	0.89	Fin. markka	5.105	Mex. peso	620.00	Soviet ruble	0.704
	1.5008	Greek drac.	140.67	Norw. krone	7.4475	Span. peseta	140.25
	15.43	Hong Kong $	7.81	Phil. peso	20.55	Swed. krona	7.08
	45.30	Indian rupee	12.45	Port. escudo	149.45	Taiwan $	38.09
	13.77	Indo. rupiah	1,131.00	Saudi riyal	3.751	Thai baht	26.275
	1.3795	Irish £	0.727	Sing. $	2.188	Turkish lira	687.40
[...]n	3.1951	Israeli shek.	1.49	S. Afr. rand	2.4491	UAE dirham	3.673
[...]e	8.096	Kuwaiti dinar	0.2922	S. Kor. won	886.00	Venez. boliv.	17.45
[...]d	1.36	Malay. ring.	2.4205				

[...] Irish £

[...]nque du Benelux (Brussels); Banca Commerciale Italiana (Milan); Banque Na[...]aris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAII (dinar, riyal, dirham); [...]ble). Other data from Reuters and AP.

Interest Rates

[...]urrency Deposits July 1

Dollar	D-Mark	Swiss Franc	Sterling	French Franc	ECU	SDR
6 7/8-7	4 1/2-4 5/8	5-5 1/8	10 1/8-10 1/4	7 [illegible]	7 [illegible]	6 [illegible]
7 [illegible]	4 [illegible]	5-5 1/8	9 7/8-10	7 [illegible]	7 1/4-7 1/2	6 [illegible]
7 [illegible]	4 1/2-4 5/8	5-5 1/8	9 [illegible]	7 [illegible]	7 1/4-7 1/2	6 1/4
7 [illegible]	4 [illegible]	4 7/8-5	9 5/8-9 3/4	7 [illegible]	7 [illegible]	6 1/4
7 [illegible]	4 5/8-4 3/4	4 3/4-4 7/8	9 [illegible]	7 [illegible]	7 1/4-7 3/8	6 [illegible]

[...]organ Guaranty (dollar, DM, SF, Pound, FF); Lloyds Bank (ECU); Reuters [...]es applicable to interbank deposits of $1 million minimum (or equivalent).

[...]oney Rates July 1

[...]	Close	Prev.
[...]	6 1/2	6 1/2
[...]	7	8
	8 1/2	8 1/2
[...]	7 1/4	7 1/4
[...]90-179 days	6.55	6.60
[...]easury Bills	5.98	5.94
[...]easury Bills	5.95	5.93
[...]	6.45	6.50
[...]	6.40	6.45
[...]		
[...]	5.50	5.50
[...]	5.25	5.50
[...]nterbank	4.65	4.65
[...]erbank	4.70	4.70
[...]erbank	[illegible]	4.75
[...] Rate	7	7
	7 1/8	7 1/8
[...]nterbank	7 1/8	7 1/8
[...]erbank	7 1/8	7 1/8
[...]erbank	7 3/16	7 3/16
[...]Rate	10	10
	10 1/4	10 1/4
[...]sury Bill	n.a.	9 9/32
[...]erbank	9 7/8	9 7/8
[...]	3 1/2	3 1/2
	4 5/16	4 5/16
[...]bank	4 1/8	4 1/8

[...]euters, Commerzbank, Crédit [...]ank of Tokyo.

Asian Dollar Deposits July 1

1 month	7 - 7 1/8
2 months	6 [illegible] - 6 [illegible]
3 months	6 7/8 - 6 7/8
6 months	6 3/4 - 6 7/8
1 year	6 [illegible] - 6 [illegible]

Source: Reuters.

U.S. Money Market Funds July 1

Merrill Lynch Ready Assets
30 day average yield: 6.42
Telerate Interest Rate Index: 6.558

Source: Merrill Lynch, Telerate.

Gold

July 1

	A.M.	P.M.	Ch'ge
Hong Kong	345.70	345.70	— 0.15
Luxembourg	345.80	—	— 0.30
Paris (12.5 kilo)	345.91	347.17	+ 1.61
Zurich	346.00	345.25	— 2.30
London	345.65	345.10	— 1.65
New York	—	344.10	— 1.60

Luxembourg, Paris and London official fixings; Hong Kong and Zurich opening and closing prices; New York Comex current contract. All prices in U.S. $ per ounce.
Source: Reuters.

[...]kets Closed

[...]cial markets were closed Tuesday in Canada, Thailand, Pakistan [...]ot because of holidays.

Australia to Impose Tax On Offshore Borrowing

Compiled by Our Staff From Dispatches

SYDNEY — The Australian government announced Tuesday that it will eliminate tax exemptions on offshore borrowings, sending the Australian dollar to a record low.

Economists criticized the measure as a "retrograde" step and predicted that it could spell the end of the fast-growing Australian-dollar sector of the Eurobond market.

"You've got to ask yourself if it's not the first step back towards regulation," said Ian Martin, an economist with BT Australia Ltd. "It's a very retrograde step."

The announcement caused considerable confusion in London, where bonds denominated in Australian dollars have become one of the fastest growing segments of the Eurobond market.

The tax change, imposing a 10-percent withholding tax on interest payments, will effectively shut, at least for an indeterminate period, the offshore market for Australian dollar Eurobonds and will eliminate all Australian entities, public as well as private, from raising money in any currency offshore.

"The decision could sound the death knell of the Euro-Australian-dollar securities market," Mr. Martin said.

The dollar, meanwhile, fell in Australian markets to a record low of 66.25 U.S. cents on a trade-weighted basis and slid further in European trading to close at 65.60.

Australian entities have raised about $5 billion through the sale of foreign currency bonds this year and about $3 billion from the international banking market.

The government's aim is to halt this offshore borrowing spree, which has inflated the nation's gross foreign debt to about 80 billion Australian dollars ($53.6 billion). Servicing this debt is a drain on the balance of payments, which is deeply in deficit.

To the extent that closure of the offshore markets does not deter public and private borrowers from seeking money domestically, the Treasury's revenues will be boosted from higher collections on withholding taxes paid on domestic borrowings. To a large extent, the boom in foreign borrowing has been aimed at skirting this tax and benefiting from the lower level of interest rates prevailing abroad.

The government's move does not affect existing Eurobonds issued by Australians. Those interest payments will continue to be made free of Australian withholding taxes. Nor does it affect Australian-dollar

See AUSTRALIA, Page 20

France to Increase Taxes, Begin Sale of Companies

Reuters

PARIS — France's rightist government, which has just completed its first 100 days in power, said Tuesday that it was pushing ahead with measures to cut the deficit by tax increases and asset sales.

Phillipe Seguin, the minister of social affairs, announced plans for a 0.4-percent supplementary income tax and a 0.7-percent increase in pension contributions to fill a deepening hole in the social security fund.

Finance Minister Edouard Balladur said the government's planned denationalization of government-owned companies would begin in October or November, with at least one and possibly two share offerings by year-end.

The income-tax levy and higher pension contributions are expected to raise about 20 billion francs ($2.8 billion) in the next 18 months to help counter a forecast social security deficit of 30 billion francs.

An estimated 10.4 billion francs would be generated by the increased pension contribution and 9.7 billion by the income levy. Both measures are to be included in a draft bill to be brought before parliament in the next few days.

The previous Socialist government, facing a similar social security deficit, imposed a 1-percent levy on taxable income in 1983 but abolished it in 1985.

The government expects its sale of government-owned banks, insurance groups and industrial companies to raise a further 10 billion francs this year and more than 200 billion francs by 1991.

Mr. Balladur said foreign investment in denationalized companies would be limited initially to 15 percent of their shares to protect French national interests.

The government has a list of 65 companies that it has targeted for denationalization, among them Société National Elf-Aquitaine, Thomson SA and Rhône-Poulenc SA. Some of the companies to be returned to the private sector were brought under government control after World War II and some were nationalized by the Socialists in 1982.

Tuesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NYSE Highs-Lows

NEW HIGHS

[illegible]

NEW LOWS

[illegible]

(Continued on next page)

هكذا من الأصل

مكتبة المعرفة

Tuesday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

12 Month High	Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
[illegible]										

Company Results

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Britain — General Electric; Northern Foods. United States — Canagra. Hillenbrand Ind.; Kaufman & Broad.

[illegible]		

ADVERTISEMENT

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 1 July 1986

Net asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue price.
The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (r) - regularly; (i) - irregularly.

Fund	Currency	Value
AL MAL MANAGEMENT		
-(w) Al-Mal Trust, S.A.	$	204.45
BANK JULIUS BAER & CO. Ltd.		
-(d) Baerbond	SF	938.70
-(d) Conbar	SF	1496.00
-(d) Equibaer America	$	1373.00
-(d) Equibaer Europe	SF	1581.00
-(d) Equibaer Pacific	SF	1345.00
-(d) Grobar	SF	1190.00
-(d) Stockbar	SF	1847.00
BAII MULTICURRENCY		
-(r) Multicurrency US$	$	1090.94
-(r) Multicurrency Ecu	ECU	1054.96
-(r) Multicurrency Yen	YEN	199.956.00
BNP INTERFUNDS		
-(w) Interbond Fund	$	155.80
-(w) Intercurrency US$	$	10.62
-(w) Intercurrency DM	DM	30.84
-(w) Intercurrency Sterling	£	10.58
-(w) Interequity Pacific Offer	$	16.14
-(w) Interequity N. Amer. Offer	$	12.08
BANQUE INDOSUEZ		
-(d) Asian Growth Fund	$	16.45
-(w) Diverbond	SF	87.05
-(w) FIF-America	$	20.84
-(w) FIF-Europe	$	22.61
-(w) FIF-International	$	14.91
-(w) FIF-Pacific	$	28.19
-(w) Indosuez Multibonds A	$	[illegible]
-(w) Indosuez Multibonds B	$	[illegible]
-(d) Indosuez USD (M.M.F)	$	1078.03
BRITANNIA, POB 271, St. Helier, Jersey		
-(w) Brit. Dollar Income	$	0.899
-(w) Brit. $ Manag. Curr.	$	11.86
-(d) Brit. Intl. $ Manag. Portf.	$	1.506
-(d) Brit. Intl. £ Manag. Portf.	£	146.2
-(w) Brit. Am. Inc. & Fd Ltd.	$	1.264
-(w) Brit. Gold Fund	$	0.633
-(w) Brit. Manag. Currency	£	15.88
-(d) Brit. Japan Dir Perf. Fd.	$	2.276
-(w) Brit. Jersey Gilt Fund	£	0.231
-(d) Brit. Okasan Glob. $	$	11.48
-(d) Brit. World Leis. Fund	$	1.660
-(d) Brit. World Techn. Fund	$	0.979
-(w) Long Term		[illegible]
F&C MGMT. LTD. INV. ADVISERS 1, Laurence Pountry Hill, EC4		
-(w) F&C Atlantic		[illegible]
-(w) F&C European		[illegible]
-(w) F&C Oriental		[illegible]
FIDELITY POB 670, Hamilton Bermuda		
-(m) Fid. Amer. Val. II Com.		[illegible]
-(m) Fid. Amer. Val. II Cum. Pref.		[illegible]
-(m) Fid. Amer. Val. III Com.		[illegible]
-(m) Fid. Amer. Val. III Cum Pref.		[illegible]
-(d) Fidelity Amer. Assets		[illegible]
-(d) Fidelity Australia Fund		[illegible]
-(d) Fidelity Discovery Fund		[illegible]
-(d) Fidelity Dir. Svgs. Tr.		[illegible]
-(d) Fidelity Far East Fund		[illegible]
-(d) Fidelity Intl. Fund s/s		[illegible]
-(d) Fidelity Orient Fund		[illegible]
-(d) Fidelity Frontier Fund		[illegible]
-(d) Fidelity Pacific Fund		[illegible]
-(d) Fidelity Spcl. Growth Fd.		[illegible]
-(d) Fidelity World Fund		[illegible]
FORBES PO 887 GRAND CAYMAN London Agent 01-839-3013		
-(w) Dollar Income		[illegible]
-(w) Forbes High Inc. Gilt Fd.		[illegible]
-(w) Gold Income		[illegible]
-(w) Gold Appreciation		[illegible]
-(m) Strategic Trading		[illegible]
GEFINOR FUNDS		
-(w) East Investment Fund		[illegible]
-(w) Scottish World Fund		[illegible]
-(w) State St. American		[illegible]
GLOBAL ASSET MANAGEMENT CORP. PB 119, St Peter Port, Guernsey		
-(w) FuturGAM S.A.		[illegible]
-(w) GAM Arbitrage Inc.		[illegible]
-(w) GAMerica Inc.		[illegible]
-(w) GAM Australia Inc.		[illegible]
-(w) GAM Boston Inc.		[illegible]
-(w) GAMBIT Fund Inc.		[illegible]
-(w) GAM Ermitage		[illegible]
-(w) GAM Ermitage Int. Inc.		[illegible]
[illegible]		

DM - Deutsche Mark; BF - Belgium Francs; FL - Dutch Florin; LF - Luxembourg Francs; ECU - European Currency Unit; SF - Swiss Francs; a - asked; + - Offer Prices; b - bid change P/V $10 to $1 per unit; NA - Not Available; N.C. - Not Communicated; o - New; S - suspended; S/S - Stock Split; * - Ex-Dividend; ** - Ex-Rts; *** - Gross Performance Index December; • - Redempt.- Price - Ex-Coupon; •• - Formerly Worldwide Fund Ltd; @ - Offer Price incl. 3% prelim. charge; ++ - daily stock price as on Amsterdam Stock Exchange

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Tuesday's AMEX Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Via The Associated Press

12 Month High	12 Month Low	Stock	Div.	Yld.	PE	Sls. 100s	High	Low	Close Quot.	Ch'ge
		A								
6⅝	2⅝	ADI				195	2⅝	2¼	2¼	— ⅛
24⅞	12⅝	AL Lab s	.18	.8	25	57	23¼	22⅞	23⅛	+ ⅛
16⅛	10¼	AMC s	.10	.7	27	17	14	13⅞	13⅞	
8⅝	[illegible]	AM Intl			11	5908	7⅛	6¾	7	— ⅛
30¼	25⅝	AM Int pf	2.00	7.3		164	27⅝	27¼	27½	— ⅛
4	[illegible]	AOI n			16	34	3¼	3⅛	3¼	
116½	78	ATT Fd	5.74e	5.0		24	115⅝	115⅛	115⅛	— ⅞
6⅝	2½	AcmePr			2	31	5⅛	5	5	
12⅛	9½	AcmeU	.32	3.1	32	11	10½	10¼	10¼	— ⅛
15⅞	10⅛	Action			16	145	14	13¾	13¾	

[illegible]

AMEX Highs-Lows

NEW HIGHS

[illegible]

NEW LOWS 7

ADI El, Connelly, IntThor pf, Sen[illegible], StdHavens, StolexPir pf, SunS&L

Floating-Rate Notes

July 1

Dollars

[illegible]

Pounds Sterling

[illegible]

Deutsche Marks

[illegible]

E.C.U.

[illegible]

Japanese Yen

Issuer/Mat.	Coupon	Next	Bid	Askd
Cnl 97 (Yen)	[illegible]	22-10	99.90	100.00
Cr Foncier Aus97 Yen	[illegible]	27-08	100.05	100.15

Source: Credit Suisse-First Boston Ltd., London.

GROUPE REDOUTE

In his letter to shareholders, the Chairman Mr. Patrick Pollet, announced the following trading results for the fiscal period ending 28th February 1986.

Consolidated group turnover rose to 11 billion francs (up 14.9%) with a net profit (after provision for taxes, up by 42%) of 28.3 million francs, as against 118 million francs for the period 1984-85.

The results for the principal companies in the group were as follows:

LA REDOUTE S.A.

Net profit: 30 million francs (taking account of a debt of 55 million francs waived in favour of the company ROMBALDI) compared with 64 million francs for the previous trading period.

REDOUTE CATALOGUE (Redoute Catalogue, SNER, Movitex)

Consolidated turnover was 8 billion francs (up 16.1%), and net profit 108 million francs (up 21%).

GROUPE PREMAMAN (400 stores under the names of Prémaman, Prénatal, Till, Julie Ambre and Ballon)
Turnover was 798 million francs (up 4%), with a net loss of 5.6 million francs, against a profit of 19.6 million francs for the previous trading period.
It was decided to withdraw from the cosmetics sales operation, "DANS UN JARDIN" (loss of 18 million francs for 1985-86).

LES EDITIONS ROMBALDI

Mail order book business increased by 19.4%, but commission sales were down by 30%. We have decided to terminate the latter activity.

VESTRO (Italian mail order book subsidiary)

Turnover was 194 billion lire (up 37.7%), showing a net profit of 1.1 billion lire, against a loss of 231 million for 1984-85.

The S.I.A.D. (Operating retail stores in Italy, Spain and Germany under the PRENATAL and RAGAZZERIA signs)

Results	Turnover including taxes	Net profit
Italy (lire)	119.9 billion	+ 818 billion
Spain (pesetas)	4,225.9 million	+ 199 million
Germany (Deutsche Marks)	36.6 million	— 5.3 million

FINAREF (Group finance company)

Current client business 1.5 billion francs, compared with 1.3 billion francs (up 19%). Financial income: 30 million francs, as against 25.8 million francs (up 16.1%).

At the Annual General Meeting to be held on 23rd July 1986, the Board of Directors will propose a net dividend of FF 44, which is identical to that of last year (a provisional FF 20 payment on account has already been made).

PUBLICATION JUDICIAIRE

CONTREFAÇON DES MARQUES « N° 5 et CINQ »

USURPATION ET USAGE ILLICITE DES MARQUES « N° 5, CINQ, CHANEL »

SUBSTITUTION FRAUDULEUSE ET PUBLICITÉ MENSONGÈRE

Par un jugement du Tribunal de Grande Instance de GRASSE en date du 28 février 1986 :

— **Dit et juge que l'utilisation par la Société PARFUMERIE FRAGONARD des marques « N° 5 » et « CINQ », respectivement enregistrées par la Société CHANEL sous les N° 914.703 et 1.187.868 constitue leur contrefaçon** au sens de l'article 422-1° du Code Pénal ;

— **Dit et juge que la Société PARFUMERIE FRAGONARD a également commis les faits d'usurpation et d'usage illicite des deux marques précitées et de la marque « CHANEL »** déposée sous le N° 1.223.099, ainsi que les faits de substitution frauduleuse des produits au sens des articles 422-2° et 422-4° du Code Pénal ;

— **Dit et juge que la présentation au public des produits FRAGONARD comme les équivalents des produits CHANEL identifiés par les marques « CHANEL » « N° 5 » et « CINQ » constitue le délit de publicité mensongère** au sens des dispositions de l'article 44 de la loi du 27 décembre 1973 ;

— **Interdit en conséquence à la Société FRAGONARD l'utilisation des marques « CHANEL », « N° 5 » et « CINQ »** sous quelque forme que ce soit et à quelque titre que ce soit, **sous astreinte définitive de deux mille francs (2.000 F) par infraction** constatée à compter de la signification du présent jugement ;

— Ordonne **la destruction aux frais de la Société FRAGONARD de la totalité des articles portant les marques contrefaisantes, et ce, sous astreinte définitive de deux mille francs (2.000 F)** par jour de retard à compter de la signification du présent jugement ;

— **Condamne la Société PARFUMERIE FRAGONARD à payer à la Société CHANEL la somme de deux cent mille francs (200.000 F)** en réparation de son préjudice résultant des agissements illicites.

— ***Ordonne la publication du présent jugement** dans cinq* journaux ou revues, français ou étranger, au choix de la **Société CHANEL et aux frais de la Société FRAGONARD**, à raison de dix mille francs (10.000 F) par insertion ;

— **Condamne la Société FRAGONARD à payer à la Société CHANEL une indemnité de six mille francs (6.000 F)** sur le fondement de l'article 700 du nouveau Code de Procédure Civile.

Peugeot SA Producti[on] Rose 15% in 5 Mont[hs]

Reuters

PARIS — Peugeot SA's production [...] percent in the first five months of 1986 [...] year earlier, to 705,000 cars, the grou[p ...] man, Jacques Calvet, told the annual sha[reholder]s meeting on Tuesday.

He said the output of Peugeot SA's A[utomo]biles Peugeot division rose 15.5 percent a[nd ...] of Automobiles Citroën, 14.4 percent.

"All in all, things are going accordin[g ...] predictions and 1986 should confirm [...] ward trend already observed in 1985," [...]

Last year Peugeot SA swung back int[o ...] with a 543-million franc (currently $77.[...] lion) consolidated net gain after a cons[...] net loss of 341 million francs in 1984.

Shearson Lists 10 Sto[cks] To Watch in Next Yea[r]

Reuters

NEW YORK — Shearson Lehman B[...] Inc., a unit of American Express Co., o[n ...]day gave its annual list of 10 common s[...] considers attractive for the coming year.

The stocks were H.F. Ahmanson [...] AMR Corp., Boeing Co., Brunswick [...] NCR Corp., Nicor Inc., Time Inc., Tra[...] Corp., Tyco Laboratories and Wells [...] Corp.

Shearson's research director, Eliot Fri[...] the selectins were made with the assu[mption] that interest rates would not go signil[...] lower and that inflation would remain l[...]

هكذا الأصل

BUSINESS ROUNDUP

Coke Agrees to Acquire JTL, Its Largest Bottler

The Associated Press

ATLANTA — Coca-Cola Co. announced Tuesday that it has agreed to acquire its largest independent bottler, JTL Coca-Cola, and officials said the soft-drink giant might launch a publicly owned bottling company.

Coca-Cola said it would pay about $1.4 billion in cash, less assumed debt, for JTL's bottling properties under a letter of intent with JTL's principal owner, John T. Lupton. The companies said last month that acquisition talks had failed.

JTL, based in Chattanooga, Tennessee, handles about 13 percent of the Coke bottling business in the United States, a Coke spokesman said. It has operations in Arizona, Colorado, Florida and Texas.

The acquisition is subject to the approval of Coca-Cola's directors and the execution of a definitive agreement, Coca-Cola said.

"The Coca-Cola Co. is now ready to explore the possibility of creating a new, free-standing Coca-Cola bottling company," said its president, Donald R. Keough. "Public ownership of the new company may be an attractive option."

The new company could include the JTL properties, Coke plants recently acquired from Beatrice Cos., and bottling operations already held by Coca-Cola, Mr. Keough said. It would operate in 18 states and Canada.

After the first set of talks ended last month, Mr. Lupton said, "the Lupton family considered a number of alternatives and decided that the sale of our bottling interests to the Coca-Cola Co. best accomplished our objectives."

CBS Inc. Said to Plan 600 Layoffs

The Associated Press

NEW YORK — CBS Inc. is bracing for a "painful" series of job reductions that could total 600 positions, because of declining profits and a slowdown in the growth of advertising revenues, industry sources said Tuesday.

Sources said the cuts would be accomplished mainly through layoffs and could come this week.

Industry officials said the changes would not affect programming but would be mainly in the areas of research, public relations, advertising and finance.

A source at CBS News said that the division's contributions to the layoffs probably would be at least 60, but that no final decision had been reached on whether "Nightwatch," CBS's unprofitable late-night news show, would be canceled.

The cutbacks, which will occur in conjunction with other moves to streamline broadcast operations, are the result of a 10-week financial and efficiency analysis by four executives of CBS Broadcast Group. The group oversees CBS's news, sports, entertainment and radio divisions, as well as its four owned-and-operated stations.

Gene Jankowski, president of the broadcast group, noted in letters to all CBS employees in May that slowing inflation had diminished advertising revenues and forced CBS to investigate ways to cuts costs and raise productivity.

Last year, profits for the broadcast group declined 11.7 percent to $360.6 million from a record of $408.6 million in 1984.

COMPANY NOTES

Astilleros Españoles SA, a Spanish state-owned company, has received a Soviet order for six timber-carrying ships at a cost of about $115 million.

Enron Corp., formerly HNG-Internorth Inc., has sold one-half interest in Florida Gas Transmission Co. for about $360 million to Sonat Inc. of Birmingham, Alabama, another diversified energy company.

Ericsson Radio Systems AG of Sweden has joined a European consortium developing cellular, digital mobile telephones for the West German post office, the consortium co-leader ANT Nachrichtentechnik GmbH said.

Fermenta AB, a biotechnology group of Stockholm, said it will bid for up to 4.35 million shares, or 51 percent, of Techamerica Group Inc. at $4 per share. It said the Techamerica board has recommended acceptance. Fermenta also completed the takeover of Memphis-based Cedar Chemical Corp.

Marley PLC said more than 2.8 million shares, or about 90 percent, of the stock of the U.S. company General Shale Products Corp. have been tendered to it. Marley, a British building products company, extended the offer until Wednesday.

Micron Technology Inc., a semiconductor manufacturer, said it expected to be unprofitable through at least the balance of this fiscal year, which ends Sept. 3.

Morgan Stanley & Co., the organizer of a group of 42 investors bidding $1.4 billion for Conrail, the U.S. government-owned railroad, said the bid has been extended until Oct. 15. The Department of Transportation has backed a competing bid of $1.9 billion by Norfolk Southern Corp.

Union Bank of Switzerland said it acquired a majority stake in Banco di Roma per la Svizzera of Lugano, which had total assets of 2.86 billion Swiss francs ($1.6 billion) at the end of 1985.

USAir is ordering seven additional Boeing 737-300 twinjets in a purchase worth more than $175 million, Boeing Co. said.

Hong Kong to Limit Growth Of Textile Shipments to U.S.

The Associated Press

WASHINGTON — The United States and Hong Kong have announced an agreement limiting the growth of Hong Kong's textile exports to the United States.

Clayton K. Yeutter, the U.S. trade representative, said Monday that the agreement limits the growth of Hong Kong textiles and apparel exports to an average of about 1 percent a year through 1991.

Between 1980 and 1985, U.S. apparel imports from Hong Kong increased by 63 percent, with an average annual rate of increase of about 12 percent, he said.

The new agreement extends coverage to all textile products, including silk blends, linen and ramie. Cotton, wool and man-made fibers were covered under an existing agreement.

U.S. industry officials denounced the agreement, saying that it guaranteed Hong Kong — the largest exporter of textiles and apparel to the United States by value, and the fourth-largest by volume — a bigger share of the U.S. market.

Dewey L. Trogdon, president of the American Textile Manufacturers Institute, said the agreement "compounds the import problem facing this industry and its workers by guaranteeing that a major supplier — Hong Kong — will be able to take away even more American jobs."

Mr. Trogdon said the agreement "comes on top of a record year of Hong Kong shipments in 1985."

"Nowhere in this agreement is there any consideration of a rollback of trade, which is really the only way to curb the excesses provided the major suppliers," Mr. Trogdon said.

The Textile and Apparel Trade Enforcement Act would roll back imports, which industry officials say have resulted in the loss of 300,000 U.S. jobs since 1980.

The measure was passed by both houses of Congress last year, but President Ronald Reagan vetoed it in December, saying it would violate existing trade agreements and invite retaliation.

The House of Representatives is scheduled to vote Aug. 6 on overriding the veto.

John Gregg of the Fiber, Fabric and Apparel Coalition for Trade, a group of labor unions and textile manufacturers formed to lobby for textile trade legislation, said the agreement announced by Mr. Yeutter is "an insult to the millions of Americans concerned about our nation's ruinous trade deficit."

ELDERS:
Effect on Workers

(Continued from first finance page)

Job Bank, open to its own retirees and to those of other companies. Under the program, the company has hired 175 retirees for part-time or full-time positions.

According to a survey by Hewitt Associates, a New York consulting firm that advises companies on compensation and benefits, 83 percent of the companies surveyed made payroll deductions for dependent care at their employees' request. The Internal Revenue Service allows persons with dependents to deduct a fixed amount from their annual income before tax. The annual average pretax deduction, the survey found, is $4,900. The tax bill being considered by the U.S. Congress does not put any restrictions on the deductions.

"Most people are still using it for babies, but it is starting to be used for day care for older relatives as well," said Jamie Roberts, a consultant with Hewitt.

BUSINESS PEOPLE

Marathon Restructures Production Operations

By Brenda Erdmann
International Herald Tribune

LONDON — Marathon Oil Co. has restructured the management of its U.S. and international exploration and production operations.

The U.S.-based oil company, a unit of U.S. Steel Corp., said its reorganized management would operate along functional lines rather than geographically. The changes were made by Marathon's board as a result of the early retirement of four senior executives, the company said.

Victor Beghini, who was senior vice president for U.S. exploration and production, has been named to the new post of senior vice president of worldwide production.

James H. Brannigan, formerly vice president of U.S. exploration, has been appointed to the new position of senior vice president of worldwide exploration.

Dan D. Sandman, who was general attorney for domestic exploration and production, has become general counsel, succeeding J. Furman Lewis, who is retiring.

Carl Giardini, who was vice president of production (U.K.) and president of Marathon Oil U.K. Ltd., was named to the new post of vice president for domestic production. Ramon Clements, formerly manager of operations planning for U.S. exploration and production, has been elected to the new post of vice president, engineering and technology, worldwide production. Richard D. Chamblin continues as vice president for international production.

In addition to Mr. Lewis, the retirees are W.L. Kinney, senior vice president for international exploration and production; Fred Spindle Jr., vice president for international exploration; and Burrell Walters Jr., vice president of U.S. production.

Solvay & Co. said that Jacques Solvay has resigned from daily management responsibilities and from the executive committee. He will continue as a director and chairman of the board of the Belgian chemicals group. Daniel Janssen has been re-elected a director of Solvay. He will continue his responsibilities of daily management and will succeed Mr. Solvay as president of the executive committee. Viscount le Hardy de Beaulieu has also been re-elected a director. Hilmar Kopper was appointed a director, succeeding Wilfried Guth, who resigned.

Bank of New Zealand has named Duncan Walls, previously with Hambros Bank Ltd. in London, as senior manager of capital markets in U.K. and Europe. He will be based in London. The bank also said Jacob Tsang has become manager of capital markets in Hong Kong. He was assistant director of corporate banking at Grindlays Asia Ltd. in Hong Kong.

Ford Motor Credit Co. has appointed Alexander B. Murray managing director. He is based in Brentwood, England, and succeeds K.G. Cook, who retired. Mr. Murray previously held senior management positions with Ford Credit in the Asia/Pacific region, Latin America and North America, and most recently was director of European financing operations, in Brentwood.

Swiss Bank Corp. has appointed Walter G. Frehner to the new post of management chairman, effective next year. He is a general manager of the Basel-based bank and a member of its executive committee. The creation of the position is part of a major restructuring.

Chapman Will Head Chicago Exchange

United Press International

CHICAGO — Alger B. Chapman will take over as chairman and chief executive officer of the Chicago Board Option Exchange on Sept. 1.

Mr. Chapman, 54, vice president of American Express Bank Ltd. in London, will replace Walter E. Auch, 65, who earlier announced his plans to leave the CBOE after seven years. Mr. Chapman was a member of the CBOE's board of directors from July 1979 to June 1981.

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CURRENCY MARKETS

Dollar Mixed in New York Trading

Compiled by Our Staff From Dispatches

NEW YORK — The dollar closed mixed, but almost unchanged, in New York Tuesday despite news of a sluggish performance by the U.S. economy.

The U.S. Commerce Department reported that the index of leading indicators, a barometer of future economic activity, rose a weak 0.2 percent in May. Analysts had expected an increase of 0.5 to 1 percent.

The dollar fell sharply early Tuesday, but bounced back in the afternoon when speculators on Chicago's International Monetary Market took profits on their foreign-currency positions.

"Trading remained very thin ahead of the three-day U.S. holiday, and the dollar's decline was orderly," a New York dealer said. "Traders also were waiting for the German central bank's meeting Thursday to see if they cut rates."

In New York the dollar closed at 2.1750 Deutsche marks, up from 2.1735 at Monday's close; at 163.30 yen, up from 162.95; at 1.7790 Swiss francs, down from 1.7803, and at 6.9745 French francs, up from 6.9725.

The British pound closed at $1.5435, almost unchanged from Monday's close of $1.5434.

In Europe, the dollar fell to a seven-week low against the Deutsche mark after the report on the leading indicators. Dealers said the news, combined with last week's report of a larger than expected May trade deficit, provided enough impetus to push the dollar lower.

The dollar closed at 2.1758 DM in London, down from Monday's close of 2.2010. Against the yen, the dollar closed at 162.60, down from Monday's close of 163.75.

The British pound also gained against the dollar in London, closing at $1.5500, compared with $1.5325 on Monday.

The dollar has lost more than 30 percent in value since last September, and many dealers fear that West Germany's central bank, the Bundesbank, could enter the open market to stop the fall, which hurts European exporters.

"Operators got nervous when the dollar dipped, because they thought the Bundesbank might be sniffing around," a dealer in Frankfurt said.

In other European trading, the dollar was fixed in Frankfurt at 2.1829 DM, down from 2.1986 at Monday's fixing, and in Paris at 6.9700 French francs, down from 7.0115.

It closed in Zurich at 1.7758 Swiss francs, down from 1.7953.

(Reuters, UPI, IHT)

London Dollar Rates

Closing	Tue.	Mon.
Deutsche mark	2.1758	2.2010
Pound sterling	1.5500	1.5325
Japanese yen	162.60	163.75
Swiss franc	1.7745	1.7956
French franc	6.9425	7.0087

Source: Reuters

U.S. Reaches Tentative Pact With Japan on Chip Dispute

The Associated Press

WASHINGTON — U.S. and Japanese negotiators have reached a tentative accord on a dispute over U.S. allegations that Japan has "dumped" computer memory chips on the U.S. market, the Commerce Department said Tuesday.

The department would not discuss details, but the Semiconductor Industry Association, a U.S. trade group, said that a dumping complaint involving memory chips called erasable programmable read-only memories, or EPROMs, would be suspended.

The negotiators face a Wednesday deadline for reaching final agreement on a pact that would solve a major trade dispute and avert trade retaliation by the U.S. government.

The pact would cover two complaints brought by the U.S. government and business officials: That Japan has dumped its chips on the U.S. market at prices lower than fair market value, and that it has unfairly blocked U.S. companies from selling their chips in Japan.

A Commerce spokeswoman, Pat Woodward, said the tentative agreement would be endangered if U.S. and Japanese officials failed to reach an accord by Wednesday on a related trade dispute.

Commerce Department officials said that if no pact was reached by Wednesday, the government was prepared to abandon efforts to reach an agreement.

The other complaint was initiated by the Reagan administration against a type of computer chip known as a 256-kilobyte dynamic random access memory chip, or D-RAM. The chips are a major component in computer and telecommunications equipment.

Financial-Market Trend Is Blurred

By Carl Gewirtz

International Herald Tribune

PARIS — At first glance, more money than ever has been raised on the international financial market so far this year, the Organization for Economic Cooperation and Development reported Tuesday. A more detailed breakdown of the business makes it appear there was no growth, but the final conclusion is that there is really no way to be sure.

Just adding up the gross volume of business announced, a record amount of money was raised during the first five months of this year, running about 10 percent above the level of a year earlier. But the gross figure is misleading, the OECD points out, and on a net basis the real growth of the market is estimated to be stagnant.

However, the OECD has a new wild card to take into account. Eurocommercial paper, which is the fastest growing segment of the international market, is also the least transparent, leaving statisticians with only scanty data about how much money was actually raised through the sale of these short-term securities.

The OECD's quarterly report on financial-market trends said that the public data on borrowing activity on international financial markets "suggests that a deceleration of business has been taking place this year."

This is because the boom in the international bond market, where new issues are running at an annual rate of $220 billion, one-third over the previous year's record, is increasingly only substitute financing for existing, more expensive debt that is being prepaid.

As treasurers rushed to take advantage of lower interest rates, prepayments of outstanding bond issues during the first five months of the year totaled $15.1 billion, almost equal to the $18.7 billion of prepayments recorded for all of last year.

Adding scheduled repayments on bond issues to the early redemption figures reduces the net growth of the bond market to about one-quarter.

But this growth is more than offset by the slowdown in other business. Syndicated bank loans are down 12 percent and note-issuance facilities and other back-up lines of credit underwritten by banks have been cut in half. In addition, about half the volume in each of these two categories is also only replacement business aimed at reducing costs on existing lines of credit.

However, what makes it impossible to estimate how much new money is actually being raised is that Euro-CP is sold by dealers on what is called a best-efforts basis, depending on whether seller and buyer can be matched up on amount, cost and duration.

Euro-CP sold to private investors totally escapes recording under the existing statistical system, and paper taken by banks is only partially recorded. This is because the data-collection system is not uniform and not all banks are required to report their holdings of short-term securities. The gap in recording the amounts held by banks is expected to be closed within 18 months, but there is little hope of anything more substantial than "guesstimates" on nonbank holdings.

Such short-term securities currently outstanding "are unlikely to exceed $25 billion," the OECD report noted. But this is "not insignificant" because it represents about 5 percent of the international bonds estimated to be outstanding, a total built up over 20 years, while the ECP market is barely three years old and growing rapidly.

"A gradual broadening of the investors' base, the development of more sophisticated techniques, and progress in technical areas such as settlement and credit rating are all factors contributing to increase the attractiveness of relatively cheap and flexible means for raising finance through nonunderwritten facilities and ECP programs," the report stated.

"The emergence of a better structured ECP market provides investment-grade borrowers with an alternative borrowing vehicle against which traditional loan markets may have difficulty to compete."

NUCOR: Analysts Ask, Can It Take on Big Steel and Still Remain Healthy?

(Continued from first finance page)

ple are bound to interpret that sign that the problems affecting other steel companies have begun to affect us."

Not all analysts and experts criticize the expansion. "They're loaded with cash and they want to turn that cash over," said Hans Mueller, an economics professor at Middle Tennessee State University and a prominent steel consultant. "You're not going to see any growth in the steel market, so the only way to make money is to reduce costs and have new technology to penetrate other companies' business."

Despite record earnings ($58.7 million) and sales ($758 million) in 1985, Nucor is not without problems. While profits and orders were strong in the first quarter of 1986, second-quarter levels were below those of 1985, Mr. Iverson said in May that "we've seen things flatten out in the last few weeks." He said May orders were down 25 percent in Texas, an important market, and down 5 percent overall.

The company's stock, which has nearly doubled in recent years, has dropped from nearly $44 two weeks ago to $38 on Monday. Analysts said investors are worried about the impact of the expansion on earnings.

Mr. Iverson, however, dismissed those problems as "temporary and cyclical."

He said Nucor's rigid and unusual labor practices are central to its ability to make steel cheaply. The company gives bonuses to workers based on weekly production. If a division produces beyond the break-even point, the additional percentage is added to a worker's and shift supervisor's base pay. Managers and executives receive annual bonuses based on the yearly performance of their divisions and the corporation. Plant employees take home an average of 153 percent of their weekly base pay.

The results are a work force eager to exceed the break-even point — and a turnover rate of 200 percent to 300 percent when plants first open. "The production pace weeds people out because some people can't keep up, or won't keep up," said Joseph Gedris, manager of a rolling department in the Darlington, South Carolina, plant.

Nucor prides itself on treating its 17 executives no differently from its 4,000 rank-and-file workers. "There are no discretionary bonuses, no company lodges, no executive dining rooms, no special parking places and no special colored hard hats for management," Mr. Iverson said. "We're all the same and we all work for the same company."

The system clearly works. Nucor produces more than twice the amount of steel per employee hour as larger companies do. Its sales have grown at an annual rate of 23 percent over the last 10 years. Earnings tumbled during the recession in 1981, but have rebounded sharply. Its first-quarter profit was $12 million, up from $10.1 million in the 1985 quarter.

Nucor's ability to hold labor costs to about $55 a ton, compared with about $140 a ton for larger, integrated steelmakers, worries its competitors. "They operate efficiently, I can't deny that," said a senior executive of one of the largest American steel companies. "And they've managed to chip away at some of our business, and now we're wondering how their expansion plans will affect our business in heavy, structural products."

Mr. Iverson is clearly viewed as a renegade for his opposition to the industry's call for protectionism. In fact, he has refused to join the American Iron and Steel Institute, the industry trade association, because, "We have differences over the import issue."

He says protectionism breeds laziness. "When you have protectionism, prices begin to rise, and companies become profitable again. Then they stop modernizing. That happened when we had a voluntary quota system in the early 1970s."

Industry experts say that whatever Nucor's short-term fortunes, its emphasis on research and efficiency has made it a model for the industry. "Iverson is doing things that the others just talk about," said Mr. Mueller, the professor.

GEC Pretax Profit Fell 3.3% in Year To £701 Million

Reuters

LONDON — General Electric Co. PLC reported Tuesday that pretax profit for the year ended March 31 fell 3.3 percent, to £701 million ($1.07 billion), from £725 million the previous year.

It said revenue rose 0.5 percent, to £5.25 billion from £5.22 billion.

Profit per share was 17 pence, against 15.2 pence. The company reported an extraordinary credit of £25 million, against £8 million a year earlier.

General Electric, which has no connection with General Electric Co. of the United States, said its results were adversely affected by exchange-rate movements. It said that if rates had remained steady at the April 1, 1985, level, pretax profits of overseas subsidiaries would have been £19 million higher and revenue £256 million higher.

Most of its businesses achieved satisfactory results but there were some profit downturns.

THE EUROMARKETS

AUSTRALIA: Exemption Ended

(Continued from first finance page)

bonds issued by nonresidents and sold to nonresidents.

The market for Australian-dollar bonds is effectively closed because the foreign issuers tapping this market did not want those dollars but were using the currency as a convenience to create low-cost swaps into other currencies.

For this to work, the foreign issuer of Australian dollars needed an Australian counterparty. The withholding tax will eliminate the attraction of such transactions to residents.

Presumably, channeling borrowers to the domestic market will raise domestic interest rates and the paucity of new paper in the Euro-Australian dollar market will lower rates. Ultimately, bankers expect, the difference will become sufficiently high so as to make it worthwhile for residents to pay the withholding tax and still raise money more cheaply through acting as swap counterparties.

The rise in domestic interest rates also is expected to help strengthen the Australian dollar in the foreign exchange market.

The domestic bond market weakened Tuesday on the assumption that there will be a rush of new issues in this market, driving up interest rates and therefore lowering prices on existing paper.

Meanwhile, facing Tuesday's tax deadline, two Australian-resident borrowers scurried to the Eurobond market.

Market sources said formal launch of both issues was accelerated because of the tax move.

Bankers Trust Australia launched a 200-million-dollar, seven-year floating rate note, with the first coupon already set and an effective payment date of Tuesday.

A Bankers Trust official said these features would ensure that the withholding tax would not apply.

The commissioners of the State Bank of Victoria launched a 300-million-dollar 10-year floating rate note, which lead manager Merrill Lynch Capital Markets said would not be subject to the tax provision.

(Reuters, IHT)

Tuesday's OTC Prices

NASDAQ prices as of 3 p.m. New York time.

Via The Associated Press

12 Month High	Low	Stock	Div.	Yld.	Sales in 100s	High	Low	3 P.M.	Net Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. [illegible]

49 Took substance
50 Donkey
53 Have an advantage
58 Scarlett's home
60 Nice income
61 Split
62 Assist an arsonist
63 Adjust
64 Palmist's phrase
65 Ancient Asian
66 Alhambra builders
67 Saucy

DOWN

1 Mennonites
2 Lanza
3 Speechify
4 Transmitted
5 Valved instrument
6 "—— a Crush on You"
7 Robin Williams' role
8 Sandarac tree
9 Cubs' Sandberg
10 He overthrew Batista
11 ". . . stage, where every man must ——": Shak.
12 Swiss river
13 Comedian Caesar
21 The same: Lat.
22 Item in a trunk
26 Gowns for Rehnquist
27 "The —— Below," 1957 movie
28 Tibetan antelope
29 Builder of Poker Flat
30 Author de Queiroz
31 Volsteader
32 Shriver, to E.M.K.
33 "Saturday Night Fever" music
34 Produced a hybrid
38 Pismire
39 Stadium cheer
40 Rod for Steve Mizerak
42 Amphora adjunct
43 Merriment
45 Form an opinion
46 Carroll's mad character
47 "Do unto —— . . ."
50 Ascend
51 Preserver
52 Sugary
54 Streetcar
55 Distant: Comb. form
56 Aboard
57 Nerd
58 ——-o'-shanter
59 Play-doctor Burrows

7/2/86

New York Times, edited by Eugene Maleska.

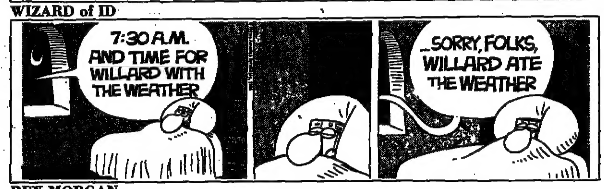
PEANUTS

BLONDIE

BEETLE BAILEY

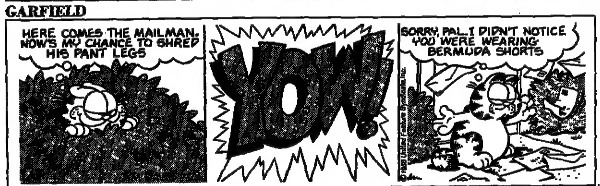
ANDY CAPP

WIZARD of ID



REX MORGAN

GARFIELD



S THE MENACE

F THAT OPERA SOAP MUSTA GOT INTO HER EYES."

MBLE. THAT SCRAMBLED WORD GAME

by Henri Arnold and Bob Lee

le these four Jumbles, to each square, to form ary words.

PAL

SOU

NIN

SOY

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

here: A ( ) ( ) ( ) OF ( ) ( ) ( ) ( ) ( ) ( )

(Answers tomorrow)

Jumbles: COLON NOBLE SQUALL TORRID
Answer: A woman goes to a hair stylist when she doesn't want to show this—HER TRUE COLORS

WEATHER

EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, OCEANIA — HIGH / LOW (C, F) tables: [illegible]

BOOKS

WAR WITHOUT MERCY: Race and Power in the Pacific War.

By John W. Dower. 399 pages. Illustrated. $22.50. Pantheon Books Inc., 201 East 50th Street, New York, N. Y. 10022.

Reviewed by Herbert Mitgang

FOUR and a half decades after Pearl Harbor, "War Without Mercy" is one of the most original and important books to be written about the war between Japan and the United States. More than any official history and beyond any novel written by U. S. or Japanese authors, John W. Dower's book explains how the prejudices and deceptions of racial and national pride — in both countries — were an underlying cause of the Pacific war.

Read today, when the United States and Japan are military allies and trading partners, the ironies abound. No American home is without an appliance containing parts that are made in Japan; no town is without Japanese cars. But look at the caricatures of the late enemy in "War Without Mercy." Even the great British political cartoonist, David Low, put monkey faces on the Japanese and had them swinging from coconut trees. Leatherneck, the Marine Corps monthly, showed pictures of Japanese with louse faces and crawly bodies.

The Japanese, too, lived with illusions and biases against what they considered the soft and inferior Westerners. In a section of the book called "The War in Japanese Eyes," a cartoon from Manga, an official magazine, shows a young Japanese combing "dandruff" from her hair — described in the caption as "extravagance, selfishness, hedonism, liberalism, materialism, money worship, individualism and Anglo-American ideas." Japanese cartoonists depicted President Franklin D. Roosevelt and Prime Minister Winston Churchill as half-horse, half-badger, dressed in a costume combining the Almighty Dollar and the skull and crossbones.

Dower, who teaches Japanese Studies at the University of California, San Diego, writes: "Apart from the genocide of the Jews, racism remains one of the great neglected subjects of World War II." The author shows how both the Germans and Japanese exploited the condition of blacks in the United States. "Racism within the Allied camp was, however, a volatile issue in and of itself regardless of what enemy propagandists said. Although only a few individuals spoke up on behalf of the persecuted Japanese-Americans, both the oppression of blacks and the exclusion of Asian immigrants became political issues in wartime America."

The book's significance goes beyond World War II; it also has meaning for the other two Asian wars that engaged Americans, in Korea and Vietnam, when enemy soldiers were dehumanized by the use of such racist names as "gooks" and "slopes." Here were echoes of the "Yellow Peril" of the sensational American press at the turn of the century. Dower concludes that the racist attitudes were sublimated after Hiroshima and Nagasaki: "That vicious racial stereotypes were transformed, however, does not mean that they were dispelled. They remain latent, capable of being revived by both sides in times of crisis and tension."

Herbert Mitgang is on the staff of The New York Times.

BEST SELLERS

The New York Times

This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

FICTION

This Week		Last Week	Weeks on List
1	THE LAST OF THE BREED, by Louis L'Amour	1	3
2	A PERFECT SPY, by John Le Carré	3	10
3	THE BOURNE SUPREMACY, by Robert Ludlum	6	17
4	THE EIGHTH COMMANDMENT, by Lawrence Sanders	4	4
5	I'LL TAKE MANHATTAN, by Judith Krantz	2	10
6	THE GARDEN OF EDEN, by Ernest Hemmingway	5	5
7	TAMING A SEA-HORSE, by Robert B. Parker	7	3
8	LAKE WOBEGON DAYS, by Garrison Keillor	9	44
9	ACT OF WILL, by Barbara Taylor Bradford	16	2
10	GONE WITH THE WIND, by Margaret Mitchell	10	2
11	THE GOOD MOTHER, by Sue Miller	8	7
12	THE MAMMOTH HUNTERS, by Jean M. Auel	11	32
13	LIE DOWN WITH LIONS, by Ken Follett	14	22
14	BARRIER ISLAND, by John D. MacDonald	13	2
15	LONESOME DOVE, by Larry McMurty		22

NONFICTION

This Week		Last Week	Weeks on List
1	FATHERHOOD, by Bill Cosby	1	8
2	YOU'RE ONLY OLD ONCE! by Dr. Suess	2	16
3	JAMES HERRIOT'S DOG STORIES, by James Herriot	3	7
4	THE TRIUMPH OF POLITICS, by David A. Stockman	4	8
5	IACOCCA: An Autobiography, by Lee Iacocca with William Novak	13	87
6	YEAGER: An Autobiography, by Chuck Yeager and Leo Janos	8	49
7	WHEN ALL YOU'VE EVER WANTED ISN'T ENOUGH, by Harold S. Kushner	6	11
8	FORD: The Men and the Machine, by Robert Lacey	9	2
9	"AND SO IT GOES," by Linda Ellerbee	10	3
10	NECESSARY LOSSES, by Judith Viorst	7	10
11	ENTER TALKING, by Joan Rivers with Richard Meryman	5	8
12	BUS 9 TO PARADISE, by Leo Buscaglia	12	20
13	THE MAN WHO MISTOOK HIS WIFE FOR A HAT, by Oliver Sacks	11	13
14	ROCK HUDSON: His Story, by Rock Hudson and Sara Davidson		1
15	MANHUNT, by Peter Maas		1

ADVICE, HOW-TO AND MISCELLANEOUS

This Week		Last Week	Weeks on List
1	FIT FOR LIFE, by Harvey Diamond and Marilyn Diamond	1	45
2	THE ROTATION DIET, by Martin Katahn	2	6
3	THE RICE DIET REPORT, by Judy Moscovitz	5	9
4	CALLANETICS, by Callan Pinckney with Sallie Batson	4	31
5	WEBSTER'S NINTH NEW COLLEGIATE DICTIONARY.	3	58

Solution to Previous Puzzle

R	C	M	P		M	A	P	L	E		S	L	A	M
A	I	L	E		A	R	I	A	S		P	E	R	E
S	T	L	A	W	R	E	N	C	E	R	I	V	E	R
E	Y	E		A	G	N	E	S		A	N	I	S	E
			A	G	I	O			O	P	E			
	Y	U	K	O	N	T	E	R	R	I	T	O	R	Y
B	E	N	I	N			N	E	E	D		M	A	E
A	M	I	N		R	E	V	E	L		N	E	V	A
R	E	O		S	O	L	O			C	A	G	E	R
A	N	N	A	P	O	L	I	S	R	O	Y	A	L	
			B	E	T			H	E	M	S			
S	P	O	O	N		M	I	A	M	I		A	L	A
C	A	N	A	D	I	A	N	P	A	C	I	F	I	C
O	V	E	R		N	I	C	E	R		S	A	V	E
W	O	R	D		F	L	A	S	K		T	R	E	S

7/2/86

BRIDGE

By Alan Truscott

THE diagramed deal was a severe disappointment to one West player. He was delighted to double four spades, because he had three "sure" trump tricks and four potential defensive tricks in the side suits.

South had the advantage of knowing that all the highcard strength was on her left. She ruffed the opening club lead, crossed to the diamond ace and ruffed another club. The diamond king was ruffed out, and the closed hand was reentered with the heart ace to discard dummy's heart losers on diamond winners. A heart ruff, a club ruff and another heart ruff left a three-card ending.

West still had his three spades, and was forced to ruff when South led the club queen from dummy and threw her remaining heart to collect an overtrick. The spade king scored at the finish, and a dazed West discovered that his 21 high-card points had just taken two tricks.

NORTH
♠ 10 8 4 3
♡ 7 6 2
♢ A
♣ Q 10 7 6 4

WEST
♠ A Q J
♡ K J 4
♢ K 8 7 2
♣ A K 3

EAST
♠ 9
♡ 10 9 3
♢ 6 5 4 3
♣ J 9 8 5 2

SOUTH (D)
♠ K 7 6 5 2
♡ A Q 8 5
♢ Q J 10 9
♣ —

Both sides were vulnerable. The bidding:

South	West	North	East
1 ♠	Dbl.	3 ♠	Pass
4 ♠	Dbl.	Pass	Pass
Pass			

West led the club king.

World Stock Markets

Via Agence France-Presse July 1

Closing prices in local currencies unless otherwise indicated.

Amsterdam | Brussels | Frankfurt | Hong Kong | Johannesburg | London | Milan | Paris | Singapore | Stockholm | Sydney | Tokyo | Zurich — Close / Prev. tables: [illegible]

Toronto — June 30 — *Canadian stocks via AP* — Sales / Stock / High / Low / Close / Chg. table: [illegible]

Montreal — June 30 — Sales / Stock / High / Low / Close / Chg. table: [illegible]

Sports News, Page 6 and 7

Sports News, Page 6 and 7

OBSERVER

Dangerous Dangerfield

By Russell Baker

NEW YORK — "Back to School" has Rodney Dangerfield and a PG-13 rating in the United States, which means the movie house will let kiddies in though parents are "strongly cautioned" that some of the show "may be inappropriate" for people under the age of 13. This usually means actresses will appear wearing no clothes.

Having attained the age of 14, and then some, I went to the film. Most of the audience had also attained the age of 14, but just barely.

I shall drop the subject after reporting that there were indeed nude actresses and what they were up to while undressed was not worth the price of admission.

□

For me the draw was Dangerfield. He is the closest we have to the burlesque comedians of the early half of the century who refined vulgarity to a delicate art.

Bert Lahr he is not, nor W. C. Fields, nor Groucho Marx. Comedians like those made body movement an art. They were like great dancers whose every step and gesture had been painstakingly perfected to fit the characters they created.

Radio finished this kind of comedian. He was meant to be seen as well as heard; on radio, where you were unseen, only words mattered. Verbal wit and timing became everything, and we had the age of Jack Benny, Fred Allen and Bob Hope.

Great funny men they were, but they couldn't move. When they went to Hollywood their pictures were more like radio shows than movies.

Unlike today's stand-up nightclub comics, who seem to be training for old-time radio with their fusillades of snappers, Dangerfield is not entirely a prisoner of gag writers, for he has also created a strong comic character complete with gestures. These make his gags, often not very funny by themselves, hilarious.

The character is inspired, coming as it does in the golden age of the slickster, the con man, the smoothie and the macho diablo whose merest glance makes tyranny tremble, headwaiters fall to their knees and women turn to jelly. In an age that gives its respect to men who are scarcely worth contempt, Dangerfield is the man who gets no respect.

In a custom-tailored world, he is swollen with excess poundage in an off-the-rack suit he's been wearing since high school graduation. His eyeballs bulge with incredulity at the contempt heaped upon him by everyone he encounters. His collar never fits, his necktie is out of date, his voice is too loud for the occasion, his manner too timid when it should be arrogant and too noisy when it should be discreet.

□

He is Ordinary Man marooned in the age of the Smooth Man. As such, he is likable to all who secretly know they don't deserve no respect either, and laughable because no matter how inferior the audience feels in a world that routinely pushes them around, Dangerfield is even more inferior.

His character is not well exploited in "Back to School," whose premise is that Rodney is so rich he can buy the respect of a craven society.

The film is pleasantly subversive, and even reassuring. Attorney General Edwin Meese's pornography posse may be hounding Playboy magazine out of the 7-Eleven stores, but thank Heaven nobody is trying to keep the kiddies from getting an honest lesson in the value of money.

□

I was, however, shocked by a subversively comic scene on the nature of business. Rodney, the successful businessman, is listening to a business professor tell the class how it's done. His lecture is so absurdly theoretical that Rodney can't sit still. He has to interrupt to tell the students how it's done in the real world.

The professor, he says, completely ignores certain inevitable costs of doing business. Among them he cites the cost of bribing the Teamsters' union, of paying off the Mafia and of bribing various government inspectors.

The professor is shocked by Rodney's laying such information before the young. So was I, professor. If movies had been this candid when I was 13, I might be enjoying the 1980s as much as everybody else.

New York Times Service

Century-Old Letters From a Japanese Pioneer

By Christine Chapman

TOKYO — "It is a strange life I have lived," 18-year-old Ume Tsuda wrote in 1883 to Adeline Dodge Lanman of Washington in a letter that recently turned up as part of a rich cache from an old trunk in a college attic.

An unusual woman of the Meiji Era (1868-1912), Ume Tsuda was one of Japan's first feminists and a proponent of higher education for women. Adeline Lanman was Tsuda's American "mother" from 1872 to 1882 in an experiment during an impulsive period of Japan's westward yearnings. The discovery in the attic at Tsuda College, which Tsuda founded in 1900, dramatizes the difference in mood between the buoyant early Meiji and the reactionary period that set in by 1883. Ume Tsuda was both heroine and victim of the times.

She was born in 1865 into a progressive Tokyo family. In December 1871 she became part of the Iwakura Mission for the United States and Europe, one of five girls who sailed with Japanese officials on the steamer America to San Francisco. The 50-member Iwakura Mission was intended to absorb the ideas and technology of the West; the five girls, knowing no English, were to be educated like free-spirited American women. Two of the girls, both 15, returned to Japan in six months because of poor health. The three who stayed were Shige Nagai, 10, Stematz Yamakawa, 12, and Ume Tsuda, 6.

When the first Japanese minister to Washington, Arinori Mori, met the girls, he exclaimed: "What am I to do? They have sent a baby to me."

The secretary to the Japanese legation was the writer and explorer Charles Lanman, who offered Ume a home. Childless, the Lanmans treated her as their daughter and educated her in private schools in Washington. In kimono or Western clothes, Ume was a charming curiosity in Georgetown, where the Lanmans lived. Literary visitors like the poets John Greenleaf Whittier and Henry Wadsworth Longfellow held the child in their lap and played with her long black hair, Charles Lanman recorded.

"I am only a little girl that has done nothing and only had a strange experience," Ume wrote in February 1883, three months after her return. That letter was among the 1,000 found in the attic. The discovery, which the college kept secret for more than half a year, contains letters to and from Tsuda. Almost half, about 450, she wrote to Mrs. Lanman from 1882 to 1911. They give fascinating details of the period when Japan was emerging as an Asian power. The early letters, dating from Tsuda's arrival back in Tokyo in November 1882, point up the contrast between her Western attitudes and Japan's traditional mindset. They express the frustration she felt on returning to a country that had sent her away to be educated like an American girl and did not know what to do with her when she came back.

Tsuda College

Ume Tsuda in 1875, at about age 10.

The long, diary-like letters describe people she met: members of the royal family, who were "so unwilling to move out of their small grooves" that she insisted, "No court for me!" when it was suggested that she serve there as an interpreter; Meiji Era statesmen, many of whom she had known on the Iwakura Mission, whom she sometimes calls "dissipated" because of their womanizing; the American missionaries and foreigners in general, whose "excessive narrow-mindedness" she rails against.

In an April 1883 letter, reflecting the reactionary mood of the country, Ume admits: "Sometimes I feel like joining in the general cry now, 'No more foreigners.' Maybe Japan had better shut herself up again if the nations only cheat and hurt her."

The trunk also contained a letter from Helen Keller, whom Tsuda met at a women's conference in Denver in 1898, and pressed violets from Florence Nightingale, whom she visited in England in 1899. The college kept its discovery secret until this spring, when NHK, Japan's national broadcasting company, was on the campus doing research for a history series that was to include the life of Tsuda.

Japanese newspapers and publishing companies have asked the college for permission to translate and publish the letters, but President Yukiro Otsuka has not yet agreed. She said Tsuda College hoped to publish them itself in a few years, after carefully assembling them.

"We wanted to see what we had," said Yasuko Hirata, a retired college librarian who is collating the letters. "We believe the letters were returned to Miss Tsuda after the death of Mrs. Lanman in 1914. They are precious, important things."

In the letters, Tsuda shows herself to be a strong-willed individual who knows her mind on such topics as Christian morality, the cultural differences between Japanese and Americans and the restricted life of Japanese women.

"I walk in a daze all the time," she writes. "I long for America and American ways, to do and feel as I used to." And: "Why, Mrs. Lanman, most all women are married before or at my age. It is dreadful."

She asks Mrs. Lanman to advise her about marrying without love, and later complains that "your letter was certainly matrimonial in its tone." By April 1883, she had decided: "I am not going to marry — under any conditions now." And she never did.

Tsuda at 18 was an anomaly. She could not speak Japanese or remember the simplest customs, except how to use chopsticks. Removing her shoes when she entered the house was "the greatest nuisance." Her family, though sympathetic, made fun of her Japanese and her foreign underwear. Her elder sister Koto interpreted for her, as did her father, Sen Tsuda, whose experiments in horticulture taught Japan about Western agricultural methods. A pro-Western Christian, it was he who had decided to send his child to the United States.

When Mrs. Lanman asked whether her parents were satisfied with her American education, Ume replied: "I do not know how they can tell anyway. My mother cannot talk to me to ask; how and what I studied are mysteries to her. Know that my education, even if I had never studied mathematics, sciences, and any high branch, would be far above Japanese women."

A recurrent theme of the letters is Tsuda's distress at the position of the Japanese woman, who does everything, she writes, "in blind ignorance. She is not often loved; often a plaything, oftener like a servant, but little educated. She believes herself perfectly happy, if she has a house, a husband and children."

"Every little girl in America ought to thank God for her lot," she insists.

By the end of 1883, however, she was adjusting well. She knew who she was and what she should do: "I am one of Japan's daughters, my face is not an alien's."

During 1883, she began teaching girls at a Methodist missionary school, but refused a second assignment because the $15-a-month pay was too low. In December 1883, Hirobumi Ito, later prime minister and then a key figure in the Foreign Ministry, invited Tsuda to live in his home and teach his wife and daughter English. In six months with the Itos, Ume met many important Meiji figures. Soon she began teaching at the Peeresses' School, a new institution for daughters of the aristocracy. In 1889 she returned to the United States to study at Bryn Mawr College in Pennsylvania, where she stayed until 1892.

In 1900, with 10 students and money borrowed to rent a house in Tokyo, she began her own school, which became Tsuda College, a private university for women of all classes.

When she died in 1929, she had been twice decorated by Emperor Taisho in recognition of her contribution to women's education. Among her graduates were the first woman to be admitted to the bar in Japan, the first woman to head a bureau in the Ministry of Labor, the first woman professor at the University of Tokyo, and the cultural anthropologist Chie Nakane, whose book "The Vertical Society" is a landmark study of Japan.

Christine Chapman is a Tokyo-based journalist who specializes in the arts.

PEOPLE

Not With a Whimper, Playboy Closes Clubs

Page 6 FOR MORE CLASSIFIEDS

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